

The Nation's Business

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Annual Meeting Number

An Appreciation by President Wilson

I am particularly glad to express my admiration for the kind of organization which you have drawn together. * * * the task of this body is to match all the facts of business throughout the country and to see the vast and consistent pattern of it. That is the reason I think you are to be congratulated upon the fact that you cannot do this thing without common counsel. There isn't any man who knows enough to comprehend the United States. It is a cooperative effort, necessarily. You cannot perform the functions of this Chamber of Commerce without drawing in not only a vast number of men, but men, and a number of men, from every region and section of the country. The minute this association falls into the hands, if it ever should, of men from a single section or men with a single set of interests most at heart, it will go to seed and die. Its strength must come from the uttermost parts of the land and must be compounded of brains and comprehensions of every sort. It is a very noble and handsome picture for the imagination.

* * *

But there are other ways of using the Government of the United States, ways that have long been tried, though not always with conspicuous success or fortunate results. You can use the Government of the United States by in-

fluencing its legislation. That has been a very active industry, but it has not always been managed in the interest of the whole people. It is very instructive and useful for the Government of the United States to have such means as you are ready to supply for getting a sort of consensus of opinion which proceeds from no particular quarter and originates with no particular interest. Information is the very foundation of all right action in legislation.

* * *

There are a great many dreadful things about war, as nobody needs to be told in this day of distress and of terror, but there is one thing about war which has a very splendid side, and that is the consciousness that a whole nation get that they must all act as a unit for a common end. And when peace is as handsome as war, there will be no war. When men, I mean, engage in the pursuits of peace in the same spirit of self sacrifice and of conscious service of the community with which, at any rate, the common soldier engages in war, then shall there be wars no more. You have moved the vanguard for the United States in the purposes of this association just a little nearer that ideal. That is the reason I am here, because I believe it.—*From President Wilson's Address Before the Chamber of Commerce of the United States.*

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THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA

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TWO years ago, at the time of the First Annual Meeting, the membership of the National Chamber consisted only of two hundred and eighty-four commercial organizations; at the Third Annual Meeting, this month, it consisted of six hundred and twenty-four organizations and also included an individual membership numbering twenty-five hundred. But the purely physical growth in numbers has been accompanied by a corresponding development of purpose and usefulness. On the cover page of this issue there are printed some remarks of the President of the United States, taken from his address delivered at the third session of this year's meeting and referring to results achieved already and the duties which should be undertaken and fulfilled in the future. The rapid but, at the same time, steady growth of the National Chamber, its definite accomplishments and consistent adherence to the democratic principles of its constitution afford a vista of possible service for it to the business of the country in time to come which, in the words of the President, forms "a very noble and handsome picture for the imagination." If the first three years of the National Chamber's history offer a criterion to forecast its future, then the prospect is opened that it may contribute effectively to the realization of that other ideal expressed by the President, that peace may become as handsome as war.

THE upbuilding of our merchant marine formed the subject of discussion of two entire sessions. In the morning a debate on one phase of it was given by Secretary McAdoo and Senator Burton in stating the case for and against the ship-purchase bill which has been the subject of such keen controversy in the Senate.

The ship-purchase bill is understood by its advocates as well as its opponents to be an emergency measure. Its ultimate aim is to contribute towards restoring the American flag permanently to foreign trade. At the same time its immediate purpose is to relieve a special situation resulting directly from the European war. German commercial vessels have practically been eliminated from foreign trade. A large number of British ves-

sels have been commandeered for Government service. Other causes have contributed still further to reduce the number of foreign merchant ships upon which we have depended to carry our ocean-going cargoes to foreign countries.

The bill advocated by the administration for Government purchase of commercial vessels was introduced in the House on August 24. About ten days later it was reintroduced with some changes and reported from committee on September 8. It has since been pending without discussion on the calendar of the House. The House bill with several small changes was introduced in the Senate on December 9 and reported with some further amendments on December 16. Since this two new forms of the bill have been presented by the Senate; that which was last presented became the unfinished business of the Senate on January 4 and has since been debated and reintroduced with some changes on February 3 as a new bill. Its advocates have pressed its passage most urgently and at the time of going to press its ultimate fate hangs in the balance.

The report of the National Chamber's Committee on Merchant Marine formed the subject of discussion during the session following the debate between Secretary McAdoo and Senator Burton. Both a majority report, signed by the chairman and five members of the Committee, and a minority report, signed by one member, were presented. The minority report endorsed the Ship-Purchase Bill. The majority report, while advocating Government aid, recommended measures other than those being immediately urged by the administration. The report was referred back for preparation in the form of a referendum which should be acted on in the usual manner by the organizations which constitute the National Chamber. The referendum pamphlet is now in course of preparation. It is clearly to be understood that the subject of the referendum will be the report of the Committee. The important recommendations of the Committee will be presented for ballot separately, including the recommendation disapproving the pending Ship-Purchase Bill which is endorsed in the minority report.

Annual Meeting Resolutions

IN view of the numerous resolutions introduced and the wide range of subjects covered by them, the small number and vital character of those finally reported by the Committee on Resolutions and adopted by the National Chamber are illustrative of the careful consideration and attention given both by the Committee and by the delegates. At each Annual Meeting important matters are brought up in the form of resolutions. This year the National Council, in recognition of the fact, made provision in the program for the early introduction and report of resolutions so that there might be ample time to weigh and consider them exhaustively.

The following resolutions were adopted by the Chamber of Commerce of the United States at the Friday morning session, February 5:

National Budget

WHEREAS, The Chamber of Commerce of the United States of America has, since its inception, taken an emphatic interest in the great financial and educational questions related to the proposal for a National Budget, and for budgetary procedure in exhibiting and determining the revenues and expenditures of the Government annually, as well as its plans for future work, and

WHEREAS, The Chamber of Commerce in its first referendum to its constituent bodies, in 1912, has recorded itself by an overwhelming majority of votes in favor of such procedure and of such an annual Budget,

NOW THEREFORE, IT IS RESOLVED, That the Chamber of Commerce of the United States of America reaffirms its approval of the proposal for a National Budget and for budgetary procedure in relation to the annual estimates of the executive departments, and in connection with the annual appropriations for expenditures by Congress, and urges upon the attention of the President of the United States and of the members of Congress the advantage of, if not the necessity for, great improvement in present methods of preparing and publishing estimates both of expenditure and of revenue; and

That the Chamber further recommends to the consideration of the President and of Congress the proposals for budgetary procedure which have been exhibited by the Chamber in its original referendum and in its publications subsequent thereto.

Presented by the Association of Commerce, Chicago, Ill., by Mr. Dering.

Income Tax

WHEREAS, Decisions and rulings of the Department of Internal Revenue with respect to the Income Tax apparently attempt to establish the inconsistency that losses arising from the sale of property acquired outside of regular business operations may not be deducted from taxable incomes, while profits arising from the same kind of transactions must be included therein, and

WHEREAS, This interpretation of the law would appear to be contrary to the intent of its framers as established in Congressional debates; amendments to effect such a purpose having been rejected by the body in which they were offered, and

WHEREAS, These rulings and decisions tend to bring the fairness of the law into question, and are unjust to the taxpayer, compelling him to establish his rights by the costly process of suit.

THEREFORE BE IT RESOLVED, That the Chamber Commerce of the United States of America in Annual Meeting assembled hereby protest against any interpretation of the Income Tax law which denies to the taxpayer the right to deduct from his income losses arising from transactions, the profits from which it is his duty to include; and be it further

RESOLVED, That the President of the Chamber appoint a committee to present the above resolution to the Treasury Department and to present arguments for the reconsideration of its present rulings on this point, and be it further

RESOLVED, That in event the Department does not see its way clear to grant relief from this unjust burden the Directors of the Chamber take such action as is necessary to bring the subject to the attention of Congress, and to secure if possible amendment of the law, which will prevent the taxation of income which does not in fact exist, by allowing the deduction from taxable income of all losses however incurred, actually sustained during the taxable year.

Tariff Commission

We note with great satisfaction the increasing interest shown in both the Executive and Legislative Departments of the Government looking toward the creation of a means by which a persistent scientific study of tariff schedules may be pursued.

Nevertheless we consider it desirable to restate the position of the Chamber on this subject, previously expressed by a duly authorized referendum of all of its constituents.

In order to avoid the complete disturbance of business which invariably follows a general revision of the tariff, we believe that a permanent tariff commission for the continuous study of the subject should be organized, with sufficiently stable tenure of office to be independent of all political considerations.

All information secured by such commission should be available to either House of Congress and to the President, should be confined

(Continued on page 33)

A Great National Business Conference

WITH President Wilson and other members of the administration giving cordial recognition to the purpose for which the Chamber of Commerce of the United States was organized, the Third Annual Meeting held in Washington, D. C., February 3, 4 and 5, marked another step forward in the nationalization of business. Held at a time when the common interests not only of this country but the world were deeply concerned in conditions caused by a war crisis, the sessions opened to the country a long sought avenue of understanding and cooperation. Many important phases of the foreign situation were considered. Unusual interest centered in the Merchant Marine discussion, and a more notable list of speakers could hardly have been desired.

The big gathering of commercial interests did not neglect other topics of national importance. They discussed projects now before Congress and others which it is hoped to bring there, and came forth with carefully weighed business opinion in the shape of an important series of resolutions. In point of attendance there were registered 605 national councillors and delegates, 31 officers and directors, 27 individual members, and 70 guests—a substantial increase over any previous year.

MEETING OF THE NATIONAL COUNCIL

President Fahey summoned to order the preliminary meeting—the National Council—on the afternoon of February 2. An address on the proposed budget system for the government by Harvey S. Chase, of Boston, and a proposal for a federal school of commerce by Dr. C. L. Swiggett of the University of Tennessee occupied the remainder of the session.

FIRST SESSION

The regular sessions of the Annual Meeting of the National Chamber began on February 3rd. After the appointment of convention committees, and consideration of the reports of the National Council, the nominating committee, and John Joy Edson, of Washington D. C., treasurer, the delegates listened to the annual address of President Fahey. This review of the present status of the organization, with its membership of 624 organizations representing nearly 300,000 corporations, firms and individuals; its accomplishments during its comparatively short career; the projects in hand and future undertakings aroused marked enthusiasm.

Responding to the opportunity to introduce resolutions, the delegates proceeded to furnish work for the committee appointed on that subject, headed by the former president of the Chamber, Harry A. Wheeler, of Chicago. The proposals thus advanced for the consideration of the convention covered a wide range, from the suggestion that American business be withheld from nations at war to the project of sending more business men to Congress. J. Stevens Ulman spoke on the most favored nation clause and commercial treaties.

SECOND SESSION

Secretary Bryan in his address on "The Department of State and Foreign Trade" on the afternoon of the first day of the meeting, outlined the attitude of his Department towards foreign trade.

The address of the Secretary of State was followed by a speech from Samuel McRoberts, Vice-President of the National City Bank of New York, who had for his topic: "Our National Policy as to Investments Abroad." The reports of the Committee on Statistics and Standards, and on Uniform Food and Drug Regulation were received from their respective chairmen, A. W. Douglas of St. Louis and W. M. McCormick of Baltimore, and approved.

THIRD SESSION, ADDRESS OF PRESIDENT WILSON

President Wilson spoke at the evening session of the first day of the meeting. Owing to the limited capacity of the hall, special cards of admission were required. He made a cordial and extremely interesting address, lasting an hour, on the complexity of modern problems and the necessity of disinterested cooperation, and congratulated the National Chamber on its democratic organization. He expressed his belief that it was so fashioned as to strengthen representative government.

FOURTH SESSION

The fourth session opened with an address by Hon. William G. McAdoo, Secretary of the Treasury, on the Ship Purchase Bill. He was followed by Hon. Theodore E. Burton, United States Senator from Ohio, who took issue with the measures advocated by the Administration. This debate between the leading advocate and opponent of the Administration measure aroused intense interest and continued throughout the morning session.

FIFTH SESSION

In the afternoon the regular program of the fifth session was set aside to permit of the bringing in of the report of the Special Committee on Merchant Marine which was submitted by its Chairman, William H. Douglas, of New York. This strongly recommended Government aid in the form of loans through a Marine Development Company to be founded and financed entirely by the Government to buyers or builders of steamers together with amendment of the existing law for mail carrying purposes, so that compensation could be given to vessels of less speed than now required. The minority report, signed by Professor E. J. Clapp of New York, recommended the endorsement of the pending ship purchase bill. Debate was carried on by the delegates until late in the afternoon. After a parliamentary wrangle as to the form the vote should take the motion made by Chairman Douglas for the adoption of the first two paragraphs of the recommendations of the report favoring adequate Government aid and opposing the Government plan of purchase and operation was submitted. One hundred and sixty-one delegates rose in favor of

the motion to ninety opposed. As this lacked the two-thirds necessary to commit the Chamber it was determined that the report should be submitted to the entire membership by referendum.

THE BANQUET

The great ball-room of the Willard, where the convention was held, became a banquet hall at night. The delegates and accompanying ladies, and invited guests sat down to a dinner of four hundred and fifty covers.

Secretary Redfield, whose remarks appear in this number, was the first speaker of the evening. He outlined the manner in which the Government, through his department, was endeavoring to aid the commercial interests of the country, not only to expand at home, but also in foreign fields.

Hon. Charles S. Hamlin, Governor of the Federal Reserve Board, portrayed financial conditions in this country before and after the creation of the Federal Reserve Board. He was followed by Chief Justice Covington, of the Supreme Court of the District of Columbia, formerly a member of Congress, who pleaded for a better understanding of the attitude of members of both Houses of Congress toward business. Hon. Joseph E. Davies, Commissioner of Corporations, analyzed the features of the new federal trade commission law.

SIXTH SESSION FEATURES

The concluding day of the annual meeting was made especially interesting by the address of His Excellency, Romulo S. Naon, Ambassador from Argentina, who chose the opportunity to deliver an important suggestion as to American shipping in connection with the Argentine and other South American trade.

How we may secure materials needed in American manufacture for which we are now depending on foreign commerce was a question upon which Arthur D. Little of Boston read an interesting paper. He touched particularly on the dyestuff situation and its lesson.

Hon. Myron T. Herrick, Former Ambassador to France, was ill and unable to attend. His paper on "Rural Credits" will appear in a latter issue. Dr. E. E. Pratt, chief of the Bureau of Foreign and Domestic Commerce, told of the recent work of his bureau.

The report of the Committee on Resolutions, presented by the former president of the Chamber, Harry A. Wheeler of Chicago, contained the important resolutions which appear on the opposite page.

TRUST LEGISLATION REPORT

On trust legislation a special committee reported to the convention, through its chairman, R. G. Rhett of Charleston. This committee devoted special attention to the question whether or not American business men should be assured of their freedom to cooperate for the promotion and extension of foreign trade. The report also reviewed trust legislation and court decisions of a quarter-century regarding restraints on trade and monopoly, and expressed the conclusion of the committee that, notwithstanding many conflicting points of view on the part of the courts, the trend of decisions and of legislation is to establish the proposition that combinations, even in domestic business, are not illegal unless they work an appreciable and obvious injury to competitive trade and to the public.

A report of the Committee on the Maintenance of Resale Prices, which was in effect a report of progress on the difficult assignment which was given that committee, was made by the Chairman, Paul T. Cherington. The committee was ordered to continue its investigations under direction of the board of directors, with a view to a referendum on the subject.

During this session the election of twelve Directors, as provided in the By-laws, took place as follows:

Howell Cheney, South Manchester, Conn. (New); William H. Douglas, New York, N. Y. (Reelected); R. G. Rhett, Charleston, S. C. (Reelected); R. T. Cunningham, Fairmont, W. Va. (New); John W. Philp, Dallas, Texas (Reelected); Charles S. Keith, Kansas City, Mo. (Reelected); L. C. Boyd, Indianapolis, Ind. (Reelected); Henry B. Joy, Detroit, Mich. (Reelected); E. T. Meredith, Des Moines, Ia. (New); Thomas B. Stearns, Denver, Colo. (Reelected); Thomas Burke, Seattle, Wash. (Reelected); Alfred I. Esberg, San Francisco, Cal. (New).

SEVENTH SESSION

Edward A. Filene, of Boston, Vice-President of the International Congress of Chambers of Commerce discussed "Trade Expansion and the European War." His conclusions were that a nation-wide discussion of peace terms at this time would certainly tend to the ultimate settlement of the war on a basis which would not leave the world an armed camp; that there is needed just and staple conditions of ocean transport and that pioneer work must be done for American trade expansion by American banks and bankers.

The portion of the program set apart for a discussion of successful methods of commercial organizations was occupied by Mr. F. H. Rike, President of the Greater Dayton Association, and Mr. Carl J. Baer, Secretary of the Little Rock Chamber of Commerce.

ELECTION OF OFFICERS

John H. Fahey, of Boston, was reelected president of the National Chamber. Harry A. Wheeler, of Chicago, and A. B. Farquhar, of York, Pa., were elected honorary vice-presidents; Henry L. Corbett, of Portland, Ore., and Robert F. Maddox, of Atlanta, Ga., were reelected as vice-presidents. John Joy Edson, of Washington, D. C., was reelected treasurer and R. G. Rhett, of Charleston, S. C., was elected chairman of the executive committee.

All but a few of the addresses and speeches made at the meeting are printed in full in this number. Only lack of space precluded the possibility of printing all of them; those omitted, however, will appear in a subsequent issue.

President Wilson's Business Message

An Address Delivered by the President of the United States at the Third Annual Meeting of the Chamber of Commerce of the United States, February, 3, 1915.

I FEEL that it is hardly fair to you for me to come in in this casual fashion among a body of men who have been seriously discussing great questions, and it is hardly fair to me, because I come in cold, not having had the advantage of sharing the atmosphere of your deliberations and catching the feeling of your conference. Moreover, I hardly know just how to express my interest in the things you are undertaking. When a man stands outside an organization and speaks to it he is too apt to have the tone of outside commendation, as who should say, "I would desire to pat you on the back and say 'Good boys; you are doing well!'" I would a great deal rather have you receive me as if for the time being I were one of your own number.

Because the longer I occupy the office that I now occupy the more I regret any lines of separation; the more I deplore any feeling that one set of men has one set of interests and another set of men another set of interests; the more I feel the solidarity of the Nation—the impossibility of separating one interest from another without misconceiving it; the necessity that we should all understand one another, in order that we may understand ourselves.

There is an illustration which I have used a great many times. I will use it again, because it is the most serviceable to my own mind. We often speak of a man who can not find his way in some jungle or some desert as having "lost himself." Did you never reflect that that is the only thing he has not lost? *He is there.* He has lost the rest of the world. He has no fixed point by which to steer. He does not know which is north, which is south, which is east, which is west; and if he did know, he is so confused that he would not know in which of those directions his goal lay. Therefore, following his heart, he walks in a great circle from right to left and comes back to where he started—to himself again. To my mind that is a picture of the world. If you have lost sight of other interests and do not know the relation of your own interests to those other interests, then you do not understand your own interests, and have lost yourself. What you want is orientation, relationship to the points of the compass; relationship to the other people in the world; vital connections which you have for the time being severed.

DANGERS OF FALSE ADVERTISING

I am particularly glad to express my admiration for the kind of organization which you have drawn together. I have attended banquets of chambers of commerce in various parts of the country and have got the impression at each of those banquets that there was only one city in the country. It has seemed to me that those associations were meant in order to destroy men's perspective, in order to destroy their sense of relative proportions. Worst of all, if I may be permitted to say so, they were intended to boost something in particular. Boosting is a very unhandy thing. Advancing enterprise is a very handsome thing, but to exaggerate local merits in order to create disproportion in the general development is not a particularly handsome thing or a particularly intelligent thing. A city can not grow on the face of a great state like a mushroom on that one spot. Its roots are throughout the state, and unless the state it is in, or the region it draws from, can itself thrive and pulse with life as a whole, the city can have no healthy growth. You forget the wide rootages of everything when you boost some particular region. There are dangers which probably you all understand in the mere practice of advertisement. When a man begins to advertise himself there are certain points that are somewhat exaggerated, and I have noticed that men who exaggerate most, most quickly lose any proper conception of what their own proportions are. Therefore, these local centers of enthusiasm may be local centers of mistake if they are not very wisely guided and if they do not themselves realize their relations to the others centers of enthusiasm and of advancement.

The advantage about a Chamber of Commerce of the United States is that there is only one way to boost the United States, and that is by seeing to it that the conditions under which business is done throughout the whole country are the best possible conditions. There can not be any disproportion about that. If you draw your sap and your vitality from all quarters, then the more sap and vitality there is in you the more there is in the commonwealth as a whole, and every time you lift at all you lift the whole level of manufacturing and mercantile enterprise. Moreover, the advantage of it is that you cannot boost the United States in that way without understanding the United States. You learn a great deal. I agreed with a colleague of mine in the Cabinet the other day that we had never attended in our lives before a school to compare with that we were now attending for the purpose of gaining a liberal education.

HOW TRUTH PREVAILS

Of course, I learn a great many things that are not so, but the interesting thing about that is this: Things that are not so do not match. If you hear enough of them, you see there is no pattern whatever; it is a crazy quilt. Whereas, the truth always matches, piece by piece, with other parts of the truth. No man can lie consistently, and he cannot lie about everything if he talks to you long. I would guarantee that if enough liars talked to you, you would get the truth; because the parts that they did not invent would match one another, and the parts that they did invent would not match one another. Talk long enough, therefore, and see the connections clearly enough, and you can patch together the case as a whole. I had somewhat that experience about Mexico, and that was about the only way

in which I learned anything that was true about it. For there had been vivid imaginations and many special interests which depicted things as they wished me to believe them to be.

Seriously, the task of this body is to match all the facts of business throughout the country and to see the vast and consistent pattern of it. That is the reason I think you are to be congratulated upon the fact that you cannot do this thing without common counsel. There isn't any man who knows enough to comprehend the United States. It is a cooperative effort, necessarily. You cannot perform the functions of this Chamber of Commerce without drawing in not only a vast number of men, but men, and a number of men, from every region and section of the country. The minute this association falls into the hands, if it ever should, of men from a single section or men with a single set of interests most at heart, it will go to seed and die. Its strength must come from the uttermost parts of the land and must be compounded of brains and comprehensions of every sort. It is a very noble and handsome picture for the imagination, and I have asked myself before I came here to-day, what relation you could bear to the Government of the United States and what relation the Government could bear to you?

CONTACT WITH THE GOVERNMENT

There are two aspects and activities of the Government with which you will naturally come into most direct contact. The first is the Government's power of inquiry, systematic and disinterested inquiry, and its power of scientific assistance. You get an illustration of the latter, for example, in the Department of Agriculture. Has it occurred to you, I wonder, that we are just upon the eve of a time when our Department of Agriculture will be of infinite importance to the whole world? There is a shortage of food in the world now. That shortage will be much more serious a few months from now than it is now. It is necessary that we should plant a great deal more; it is necessary that our lands should yield more per acre than they do now; it is necessary that there should not be a plow or a spade idle in this country if the world is to be fed. And the methods of our farmers must feed upon the scientific information to be derived from the State departments of agriculture, and from that taproot of all, the United States Department of Agriculture. The object and use of that department is to inform men of the latest developments and disclosures of science with regard to all the processes by which soils can be put to their proper use and their fertility made the greatest possible. Similarly with the Bureau of Standards. It is ready to supply those things by which you can set norms, you can set bases, for all the scientific processes of business.

I have great admiration for the scientific parts of the Government of the United States, and it has amazed me that so few men have discovered them. Here in these departments are quiet men, trained to the highest degree of skill, serving for a petty remuneration along lines that are infinitely useful to mankind; and yet in some cases they waited to be discovered until this Chamber of Commerce of the United States was established. Coming to this city, officers of that association found that there were here things that were infinitely useful to them and with which the whole United States ought to be put into communication.

GOVERNMENT INQUIRY AND INFORMATION

The Government of the United States is very properly a great instrumentality of inquiry and information. One thing we are just beginning to do that we ought to have done long ago: We ought long ago to have had our Bureau of Foreign and Domestic Commerce. We ought long ago to have sent the best eyes of the Government out into the world to see where the opportunities and openings of American commerce and American genius were to be found—men who were not sent out as the commercial agents of any particular set of business men in the United States, but who were eyes for the whole business community. I have been reading consular reports for 20 years. In what I came to regard as an evil day the Congressman from my district began to send me the consular reports, and they ate up more and more of my time. They are very interesting, but they are a good deal like what the old lady said of the dictionary, that it was very interesting but a little disconnected. You get a picture of the world as if a spotlight were being dotted about over the surface of it. Here you see a glimpse of this, and here you see a glimpse of that, and through the medium of some consuls you do not see anything at all. Because the consul has to have eyes and the consul has to know what he is looking for. A literary friend of mine said that he used to believe in the maxim that "everything comes to the man who waits," but he discovered after awhile by practical experience that it needed an additional clause, "provided he knows what he is waiting for." Unless you know what you are looking for and have trained eyes to see it when it comes your way, it may pass you unnoticed. We are just beginning to do, systematically and scientifically, what we ought long ago to have done, to employ the Government of the United States to survey the world in order that American commerce might be guided.

But there are other ways of using the Government of the United States, ways that have long been tried, though not always with conspicuous success or fortunate results. You can use the Government of the United States by influencing its legislation. That has been a very active industry, but it has not always been managed in the interest of the whole people. It is very instructive and useful for the Govern-

ment of the United States to have such means as you are ready to supply for getting a sort of consensus of opinion which proceeds from no particular quarter and originates with no particular interest. Information is the very foundation of all right action in legislation.

BUSINESS AND LEGISLATION

I remember once, a good many years ago, I was attending one of the local chambers of commerce of the United States at a time when everybody was complaining that Congress was interfering with business. If you have heard that complaint recently and supposed that it was original with the men who made it, you have not lived as long as I have. It has been going on ever since I can remember. The complaint came most vigorously from men who were interested in large corporate development. I took the liberty to say to that body of men, whom I did not know, that I took it for granted that there were a great many lawyers among them, and that it was likely that the more prominent of those lawyers were the intimate advisors of the corporations of that region. I said that I had met a great many lawyers from whom the complaint had come most vigorously, not only that there was too much legislation with regard to corporations, but that it was ignorant legislation. I said, "Now, the responsibility is with you. If the legislation is mistaken, you are on the inside and know where the mistakes are being made. You know not only the innocent and right things that your corporations are doing, but you know the other things, too. Knowing how they are done, you can be expert advisors as to how the wrong things can be prevented. If, therefore, this thing is handled ignorantly, there is nobody to blame but yourselves." If we on the outside cannot understand the thing and cannot get advice from the inside, then we will have to do it with the flat hand and not with the touch of skill and discrimination. Isn't that true? Men on the inside of business know how business is conducted and they cannot complain if men on the outside make mistakes about business if they do not come from the inside and give the kind of advice which is necessary.

The trouble has been that when they came in the past—for I think the thing is changing very rapidly—they came with all their bristles out; they came on the defensive; they came to see, not what they could accomplish, but what they could prevent. They did not come to guide; they came to block. That is of no use whatever to the general body politic. What has got to pervade us like a great motive power is that we cannot, and must not, separate our interests from one another, but must pool our interests. A man who is trying to fight for his single hand is fighting against the community and not fighting with it. There are a great many dreadful things about war, as nobody needs to be told in this day of distress and of terror, but there is one thing about war which has a very splendid side, and that is the consciousness that a whole nation gets that they must all act as a unit for a common end. And when peace is as handsome as war there will be no war. When men, I mean, engage in the pursuits of peace in the same spirit of self-sacrifice and of conscious service of the community with which, at any rate, the common soldier engages in war, then shall there be wars no more. You have moved the vanguard for the United States in the purposes of this association just a little nearer that ideal. That is the reason I am here, because I believe it.

COMPETITION IN FOREIGN MARKETS

There is a specific matter about which I, for one, want your advice. Let me say, if I may say it without disrespect, that I do not think you are prepared to give it right away. You will have to make some rather extended inquiries before you are ready to give it. What I am thinking of is competition in foreign markets as between the merchants of different nations.

I speak of the subject with a certain degree of hesitation, because the thing farthest from my thought is taking advantage of nations now disabled from playing their full part in that competition, and seeking a sudden selfish advantage because they are for the time being disabled. Pray believe me that we ought to eliminate all that thought from our minds and consider this matter as if we and the other nations now at war were in the normal circumstances of commerce.

There is a normal circumstance of commerce in which we are apparently at a disadvantage. Our anti-trust laws are thought by some to make it illegal for merchants in the United States to form combinations for the purpose of strengthening themselves in taking advantage of the opportunities of foreign trade. That is a very serious matter for this reason: There are some corporations, and some firms for all I know, whose business is great enough and whose resources are abundant enough to enable them to establish selling agencies in foreign countries; to enable them to extend the long credits which in some cases are necessary in order to keep the trade they desire; to enable them, in other words, to organize their business in foreign territory in a way which the smaller man cannot afford to do. His business has not grown big enough to permit him to establish selling agencies. The export commission merchant, perhaps, taxes him a little too highly to make that an available competitive means of conducting and extending his business.

The question arises, therefore, how are the smaller merchants, how are the younger and weaker corporations going to get a foothold as against the combinations which are permitted and even encouraged by foreign governments in this field of competition? There are governments which, as you know, distinctly encourage the formation of great combinations in each particular field of commerce in order to maintain selling agencies and to extend long credits, and to use and maintain the machinery which is necessary for the extension of business; and American merchants feel that they are at a very considerable disadvantage in contending against that. The matter has been many times brought to my attention, and I have each time suspended judgment. I want to be shown this: I want to be shown how such a combination can be made and conducted in a way which

will not close it against the use of everybody who wants to use it. A combination has a tendency to exclude new members. When a group of men get control of a good thing, they do not see any particular point in letting other people into the good thing. What I would like very much to be shown, therefore, is a method of cooperation which is not a method of combination. Not that the two words are mutually exclusive, but we have come to have a special meaning attached to the word "combination." Most of our combinations have a safety lock, and you have to know the combination to get in. I want to know how these cooperative methods can be adopted for the benefit of everybody who wants to use them, and I say frankly if I can be shown that, I am for them. If I can not be shown that, I am against them. I hasten to add that I hopefully expect I can be shown that.

IMPORTANCE OF SMALL BUSINESS

You, as I have just now intimated, probably can not show it to me off-hand, but by the methods which you have the means of using you certainly ought to be able to throw a vast deal of light on the subject. Because the minute you ask the small merchant, the small banker, the country man, how he looks upon these things and how he thinks they ought to be arranged in order that he can use them, if he is like some of the men in country districts whom I know, he will turn out to have had a good deal of thought upon that subject and to be able to make some very interesting suggestions whose intelligence and comprehensiveness will surprise some city gentlemen who think that only the cities understand the business of the country. As a matter of fact, you do not have time to think in a city. It takes time to think. You can get what you call opinions by contagion in a city and get them very quickly, but you do not always know where the germ came from. And you have no scientific laboratory method by which to determine whether it is a good germ or a bad germ.

There are thinking spaces in this country, and some of the thinking done is very solid thinking indeed, the thinking of the sort of men that we all love best, who think for themselves, who do not see things as they are told to see them, but look at them and see them independently; who, if they are told they are white when they are black, plainly say that they are black—men with eyes and with a courage back of those eyes to tell what they see. The country is full of those men. They have been singularly reticent sometimes, singularly silent, but the country is full of them. And what I rejoice in is that you have called them into the ranks. For your methods are bound to be democratic in spite of you. I do not mean democratic with a big "D," though I have a private conviction that you cannot be democratic with a small "d" long without becoming democratic with a big "D." Still that is just between ourselves. The point is that when we have a consensus of opinion, when we have this common counsel, then the legislative processes of this Government will be infinitely illuminated.

I used to wonder when I was Governor of one of the States of this great country where all the bills came from. Some of them had a very private complexion. I found upon inquiry—it was easy to find—that practically nine-tenths of the bills that were introduced had been handed to the members who introduced them by some constituent of theirs, had been drawn up by some lawyer whom they might or might not know, and were intended to do something that would be beneficial to a particular set of persons. I do not mean, necessarily, beneficial in a way that would be hurtful to the rest; they may have been perfectly honest, but they came out of cubby-holes all over the State. They did not come out of public places where men had got together and compared views. They were not the products of common counsel, but the products of private counsel, a very necessary process if there is no other, but a process which it would be a very happy thing to dispense with if we could get another. And the only other process is the process of common counsel.

VALUE OF COMMON COUNSEL

Some of the happiest experiences of my life have been like this. We had once when I was president of a university to revise the whole course of study. Courses of study are chronically in need of revision. A committee of, I believe, 14 men was directed by the faculty of the university to report a revised curriculum. Naturally, the men who had the most ideas on the subject were picked out and, naturally, each man came with a very definite notion of the kind of revision he wanted, and one of the first discoveries we made was that no two of us wanted exactly the same revision. I went in there with all my war paint on to get the revision I wanted, and I dare say, though it was perhaps more skillfully concealed, the other men had their war paint on, too. We discussed the matter for six months. The result was a report which no one of us had conceived or foreseen, but with which we were all absolutely satisfied. There was not a man who had not learned in that committee more than he had ever known before about the subject, and who had not willingly revised his prepossessions; who was not proud to be a participant in a genuine piece of common counsel. I have had several experiences of that sort, and it has led me, whenever I confer, to hold my particular opinion provisionally, as my contribution to go into the final result but not to dominate the final result.

That is the ideal of a government like ours, and an interesting thing is that if you only talk about an idea that will not work long enough, everybody will see perfectly plainly that it will not work; whereas, if you do not talk about it, and do not have a great many people talk about it, you are in danger of having the people who handle it think that it will work. Many minds are necessary to compound a workable method of life in a various and populous country; and as I

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The State Department and Foreign Trade

Address by Hon. William Jennings Bryan, Secretary of State

I WAS surprised the other day to receive from the Commercial Club of Lincoln a certificate, naming me as a delegate and entitling me to admission to this body and to the enjoyment of all the privileges and perquisites. I have not had time yet to investigate what privileges go with this delegateship, or what perquisites I enjoy in common with you, but if, being a delegate, I am brought nearer to you, I am under obligation to the Commercial Club of my home city for this means of entering into your fellowship. I presume, however, that the invitation extended to me was extended not because I might possibly be a delegate, not even because I am to some extent a business man, but rather because the Department with which I am connected has something to do with the foreign trade of this Nation.

I might claim the privilege of being one of you because of being a business man, for while I have not underscored my business connections, it is true that for now about fourteen years I have been the proprietor of a paper, and anyone who attempts to conduct a paper knows that it is a business enterprise; the fact that I have succeeded in keeping it alive for fourteen years ought at least to give me standing above those who have failed in business within fourteen years after starting.

My interest, however, in the work which you will consider is much more than a personal interest. My association with foreign trade during the past two years—for it is now nearly two years since this association with foreign trade began—has led me to consider the factors that enter into the extension of American trade into foreign lands.

CAUSE OF NEGLECT OF FOREIGN TRADE

Some may not understand why we have been slow to become the rivals of other countries in trade. There is one reason—a very natural one and, I believe, the dominant one, which has accounted for the fact that others have outstripped us in foreign trade. We have had a great domestic territory to develop. None of the countries that are competitors with us have anything like the opportunities at home that we have had. They are developed countries, and their capitalists and merchants have been compelled to look abroad because the home demand was long ago fully satisfied.

Not so with the United States. We have been drawing to our shores the representatives of all the countries of Europe, and they have come here from their home countries because of the larger opportunities they have found here. We must recognize that while our Government and our institutions have been attractive to people across the seas, these have not been the only inducements. We must recognize that our country was virgin soil; its population was not dense; its lands were not developed, and therefore there were opportunities here which were not to be found elsewhere.

It is not strange that our energies were first devoted to the development of the fields that were nearest to us. But with every year this advantage lessens, and as this advantage lessens, the tendency to go abroad in search of markets and fields for development will increase. Just at this time, when the thoughts of our people are crossing the line and entering into foreign fields we find a great enterprise approaching consummation, a great canal approaching completion, which is to give us a very great advantage in our intercourse with the republics to the south of us. We find, too, that these republics furnish such a field for development as our country furnished a century ago.

About five years ago I made a trip to South America, and that trip was made mainly for the purpose of satisfying myself as to the future of these Southern republics. I remained in the south long enough to be assured that there are opportunities there waiting to be improved; that the natural resources of those countries are yet to a large extent undeveloped, and that certainly is a legitimate field toward which the people of this country should look. We have heard a great deal of the commerce across the Pacific, of the open door on the other side of the largest ocean; but that is farther away from us than South America. Then, too, in many ways it does not offer the opportunities that are offered by Central and South America. I am sanguine, I am confident that in the next twenty-five years we shall see not only a very large development in Latin America, but we shall see our own people have a very large part in that development.

IMPORTANT FACTORS TO BE CONSIDERED

There are certain factors that enter into this work of development; the first is the economic factor. It is proper to begin with that, for it is fundamental. Unless we can produce as cheaply as other nations, unless we can furnish an article that is equal in quality and as low in price, we cannot expect to be successful rivals of the countries across the Atlantic. But experience shows that every year we are exporting more; and if it is possible for us to compete, as it is in many manufactures; if it is possible for us to send our goods across the Atlantic and compete in Europe with Europe, we certainly ought to be able to compete when they must send their goods as far as we do and compete with us in Latin America; and the Canal is going to bring us nearer to the western coast of South America than any European country can be, and the economic argument is the final argument; nothing can ever eliminate the advantage which we have in the shorter route to western South America.

If you reply that western South America does not now have as large a population as eastern South America, I remind you that the Andes are close to the Pacific Coast and that on the east side of the Andes there is a great amount of water. With the development of electricity, I feel quite sure, it will be possible to secure a comparatively

cheap motive power by which the products of the eastern slope of the Andes can be carried to the top and down to the Pacific, and thus be brought much nearer to the United States by water than they will be to any country in Europe. If it is true, as I understand it is, that there is great economy in the water route; if it is true, as I understand it is, that you can carry by water much more cheaply than it is possible to carry by rail, then it seems to me that there is an economic argument that makes largely to our advantage in dealing not only with the countries along the Pacific Coast of South America, but with the western part of the countries east of the Andes, for if you will examine the map you will find that it takes a long railroad haul to carry products from the eastern slope of the Andes to the Atlantic Coast.

COMPLAINTS REGARDING OUR METHODS

In considering the economic advantage, it must be remembered that even if you have goods of equal quality and even if you can sell them at as low a price there are other things of a business nature that must be taken into consideration. I suppose you have experts who will talk to you about this trade, but let me remind you that wherever I went in South America I found two complaints. One was that our manufacturers and exporters would not accommodate the purchasers in South America as completely as European exporters would in the matter of packing and of shipment. They told me that it seemed a small matter and yet it was necessary for the exporter to consider the means by which these goods, when they reached South America, had to be distributed. I found everywhere I went that there was complaint that the Americans did not look into, and examine as closely these necessary details as the people of Europe did. I have, ever since I came back from South America, been urging a larger study of the Spanish language. I had this experience: Nearly every time I talked to a public man in South America he would express regret that he could not speak English and would then say that his son was learning English, and I was in a position to respond that I was very sorry that I could not speak Spanish, but that my son was studying Spanish. I have urged the study of Spanish. I have been glad to learn that in a large number of our colleges the study of Spanish is being taken up. I have been advocating the establishment of an American University on the Canal Zone and another in Porto Rico, that our people may go there and study, with Spanish surroundings, so that while they learn the language they can also learn something of the people among whom they are to go, and that we may bring to these American institutions people from Central and South America who come to learn of our institutions and of our history and of our language. Thus Americans as they study the Spanish language and Spanish institutions may become associated with those who are studying our language and our institutions. This commingling, this association, would be beneficial to the young men of this country going south and to the young men of those southern countries who are coming north.

But there is another point. I found that they claimed that the Europeans were more accommodating. I am not prepared to discuss the system of credits, because I have not the experience or the observation that would enable me to make an intelligent comparison of the credits extended by European countries as compared with the credits extended by this country; but there is one thing that we are now prepared to do. The new currency law authorizes, and contemplates the establishment of, branch banks in foreign countries.

ESTABLISHMENT OF BANKS

The Department over which I have the honor to preside is prepared to give every legitimate encouragement to the establishment of branch banks in all these countries, and I believe that the establishment of these branch banks—and I am sure that within a few years we will have branches in all the Latin American countries—will be the longest single step that this country has taken toward the encouragement of trade in foreign lands, and that it will help us not only in Central, but South America, but it will help us in Asia.

I found that in South America it was necessary to do our banking through some European bank; but by being able to deal directly, we not only have a saving of time, but we have more than that: We have the intimacy and the acquaintance which direct communication will cultivate. The people who go south from here to attend to the banking business in these branch banks will go there as a sort of information bureau; they will be able to acquaint people there with our banking facilities, and they will be able to gather information that will interest our manufacturers and exporters.

I feel, therefore, that in the enactment of this currency law with this feature in it, we have gone forward in the extension of our foreign trade.

Another factor: I found that it was difficult to encourage intercourse between this country and those countries with the transportation facilities we have had. I found, for instance, when I was at Buenos Ayres that it took less time to go from that city to Europe and then to New York than it did to go direct, considering the time one had to wait; that the transportation facilities between those Southern countries and Europe were so much better than between the United States and those countries that it was generally a saving of time to go by way of Europe, rather than to go directly.

My wife, who had to reach home a little earlier than I, found that it was a saving of time to take a ship from Argentina to Great Britain and then come to New York—a saving of time, rather than to wait for the regular sailing time for the vessels coming direct.

We all realize more than we ever did before the disadvantage of having to depend upon foreign ships to carry our commerce. This war has shown how foreign trade can be interrupted by a war, and it has shown us the burden that a war of any proportions throws upon the innocent bystander, upon the third party, upon the neutral nation. As a result of this experience I believe that we are going to have more interest hereafter in American-owned ships, sailing under the American flag; I think we will have more interest than we have ever had before.

INCREASE OF OUR MERCHANT MARINE

Experience, they say, is a dear teacher; but she teaches a school from which those who graduate are best informed. Our experience will be valuable to us. It has already been valuable for, as a result of this war, we have already largely increased our merchant marine, and I hope that that increase has the endorsement of this great body of business men.

I was anxious for you to applaud because I wanted to commit you on that proposition before I proceeded to the next proposition. I think now I am safe in assuming that the experiences through which we have passed have made you welcome the additions that have been made to our merchant marine, and I heartily sympathize with you. I approved as cordially as any of you the measure that passed, I think, almost unanimously, and of which advantage has already been taken; but I am willing to go one step farther and I hope you will be willing too.

I am in favor of the Government-owned ship as an aid to us in our foreign trade.

I did not expect unanimity, my friends; I am too well aware of the influence of private investment to expect anyone interested in the merchant marine that is owned by individuals ever to welcome a Government competitor, no matter how much the people might wish it.

I know that the doctrine of Government-owned ships is assailed on theoretical grounds, and also assailed on personal and pecuniary grounds, under the cover of theoretical grounds.

I have been a believer for some years in the Government-owned ship as the pioneer in the establishment of trade routes. I believe, and have for years, that the Government ought to take upon itself the burden of establishing these trade routes for the benefit of American commerce and American manufactures. The private ship owner will not establish a trade route until he is satisfied that it will pay, and as the seas are common property, the man who establishes a new trade route has no way to protect himself in the control of it after he has proven by experiment that it is a profitable route. When a man invents anything we give him a patent, and that patent protects him for a period of years in the enjoyment of his invention. But when an American ship owner invents a new trade route he has no patent to protect him, and as soon as it is seen that it is profitable, any other ship can come and take advantage of this newly discovered or newly established route.

PIONEER WORK BY GOVERNMENT

It is necessary, therefore, or at least desirable, that the Government should do the pioneer work. The Government can afford to take upon itself the expense in order to develop trade routes, and when they are established there will be no difficulty in getting ships—private ships—to come and share in the profits of the trade.

I believe it is as justifiable to use the Government ship in the development of new trade routes as it is to make appropriations for the Department of Agriculture to test and experiment, with the knowledge that when the test has been made every farmer has the benefit of the experiment. To my mind it is a legitimate use of public money, and this is an opportune time. With all my heart I am in favor of a law that will give the American people a chance to buy ships, to build ships—I will use a broad word, one that cannot be misunderstood at this time—that will give the Government a chance to *secure* ships. You cannot convert the word "secure" into an unneutral word.

I refuse to discuss how the President shall exercise the authority to be conferred upon him, and those associated with him, in the carrying out of the law. We give the President authority on every other subject, and I shall be the last one to suspect that our President will misuse authority that is given to him in the shipping bill.

But aside from the permanent advantage which will be conferred by this shipping bill, there is a temporary advantage—it enables the Government to meet emergencies, as well as to provide for settled conditions. And what is the emergency today? Today we have shipping rates as high as seven times what they were before this war. In some cases it has been more than 700 per cent increase; and I shall not defend the right of private ships to monopolize our trade when they take advantage of a war to lay this excessive burden upon the American people. The war rates are so high today that it is possible for a ship to pay for itself in two or three trips. There are instances where the freight rates of a single trip have been greater than the cost of the ship. It will take something more than mere devotion to the greed of personal interest to defend them at this time against the demand for a government ship that can establish routes and, when necessary, enter into competition that will protect the American people from these excessive rates.

Now, I have spoken of the economic factors that enter into the extension of our foreign trade. I have spoken of the banking facilities which are improved by the currency law, and I have spoken of transportation facilities which have already been improved by additions to our merchant marine, and which will be still further improved by the ships secured under the ship purchase bill.

Now let me call your attention to another proposition, and this one comes more closely into association with the State Department. It is the cultivation of friendship and good will among the people with whom we are expecting to trade. In our department we have the Consular Service, and it is the business of these men who go out as the representatives of the Government in the Consular Service—it is the

business of these men to gather information that they may furnish it to you. It is their business to scatter information that they may enlighten those among whom they sojourn. It is their business to give their assistance to every legitimate American enterprise, and the representatives of this Government, under the control of the State Department, are instructed to give assistance to every legitimate American enterprise, and to show no partiality as between Americans, whether the enterprise at home is a big one or a little one. If it is American, it is deserving of attention; it is deserving of consideration; it is deserving of all the assistance that the Department can give. But, more than that. We have also our diplomatic work, which is a little different from our consular work. It is the business of diplomacy to maintain friendly relations, and I think I can say that the relations between this country and Asia on the west, and between this country and all of the Spanish-American countries, were never better than they are today. I think I am in position to know what our relations with those countries are. I might say that our relations are improved over what they have been before. It is safe to say that there never has been a time in the last 50 years when an American was more welcome than he is today in any of these South and Central American republics. We have raised two of our Legations to Embassies, and by a concert of circumstances the three largest of the republics of South America have been brought into quite intimate association with our Government. Wherever you go among these people I think you will find a friendliness; and that, while growing from other reasons has, I think, been aided by a statement that the President made in his Mobile speech, in which he gave an assurance that ought not to have been necessary, but yet which seems to be appreciated, that this Government would never acquire a foot of ground by conquest.

OUR TREATY WITH COLOMBIA

I say it would look as if such an assurance need not be given. Surely our conduct has been such as to satisfy these republics to the south of us that we have no sinister motives in dealing with them; that we have no secret purposes; that our interest is genuine and unselfish; but the assurance that the President gave, while seemingly unnecessary, was a great advantage, and it has been quoted all over South and Central America, and the assurance that our interest in them is not a selfish one is an assurance that has a pecuniary value to us. Of course, no amount of friendship or good will will secure us trade if economic conditions are not favorable to it, but when these other conditions are favorable, "other things being equal," there is a value in our friendly relations; and I venture to make a suggestion here—and I know of no more fitting place to make it—and that is this: We have one treaty pending which I believe will be of great advantage to us from a commercial standpoint, as well as advantageous in other ways. It is the Colombia treaty that attempts to restore to normal relations between this country and Colombia. For something over eleven years there has been a misunderstanding, and our relations have not been what they ought to be. Not only have the relations between this country and Colombia been abnormal, but two republics living side by side, Colombia and Panama, have not been able to establish neighborly and diplomatic relations because of the fact that Colombia and the United States had a misunderstanding still unsettled. Our effort has not been to decide upon the merits of the controversy 11 years ago; our purpose has been to deal with the situation as we found it.

We found these relations disturbed, and we have undertaken to restore amity and good will, and bring these two countries into a normal relationship. Every country in Central and South America is interested in the ratification of this Colombia treaty. I know of no one thing that will go further to advance us in the good opinion and the confidence of the Republics of Central and South America than the ratification of the treaty that has been negotiated with Colombia.

We have had several attempts. This treaty has already been ratified by Colombia and it waits for ratification in this country. If you will talk with the representatives from any of the countries, you will find that they all feel an interest in seeing this difficulty ended, in seeing Colombia and the United States brought into the relationship that exists between us and other of those countries, and this interest is partly due to the fact that Colombia is one of the larger republics of South America, a Latin-American Republic, and partly to the fact that the coming together in friendship and good will of Colombia and Panama has been waiting for eleven years, and must wait until Colombia and the United States have ended their misunderstanding.

Pardon me for referring to an incident. General principles are more easily discussed than particular cases, but in the discussion of a general principle I think it is only fair that I call your attention to the thing that just now will contribute most. If you do not fully agree with all the terms and conditions of the treaty, I ask you to remember that we were not in a position to deal with it as with a new subject. We were hedged about by that which has existed, by negotiations that have been made, by expectations that have been excited, by an environment which we could not change. If we do not succeed in ratifying this treaty, the misunderstanding continues, and I hope that no one will object to this treaty unless he has in mind a plan that to him seems wiser than the plan that has been adopted by the President.

But, my friends, I have talked longer than I intended to. I have tried to present some of these questions as they presented themselves to my mind; and I close with the assurance that if you will show my Department how it can do more than it is doing now for the promotion of our foreign trade, your suggestions will be received, not only gladly, but with gratitude.

We hope we are laying the foundation not only for an increase but for a permanent expansion, and we believe that the only way in which we can make permanent these advantages offered to our people

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Trade Expansion With Argentina

Address by His Excellency Romulo S. Naon, Argentine Ambassador

It is both a real pleasure and an honor for me to have an opportunity of addressing such a gathering as this that represents so worthily the spirit and marvelous activities of this great country of yours, which has been able in a century to become the wonder of the world, setting an example to other countries and being a source of pride to her own sons.

It is, gentlemen, very painful to look at the situation in the European world at the present moment, apocalyptic, indeed! My country is bound to the nations of war by close ties of race, of civilization, and of culture. Commercial interchange and the influx of its capital and labor have also made a deep impression on Argentine progress, and we can not but view with profound sadness and sorrowful sympathy the struggle in which these friendly countries are engaged.

These circumstances added to those of a general character which make up the social phenomenon according to which the action of one section of the world always produces a more or less intense effect on the whole, a phenomenon resulting from the close bond which progress has created among all civilized nations, originates for us a situation in which there is nothing agreeable, to say the least. Commercial interchange is interrupted or ceases altogether, domestic activities are disturbed as a result, the sources of our economic life are changed and it becomes necessary to seek the restoration of normal conditions so suddenly upset, by reorganizing the system, readjusting the machinery, before setting out again upon the vigorous and difficult onward march interrupted at an unhappy moment by events which no one could foresee. This is the situation of the entire world, and neither the United States nor the Argentine Republic—the comparatively two richest countries in the world—can escape from it. Things could not be worse, but we ought to cherish the hope that they will improve, and one of the forms of improvement is to endeavor by our own elements of life, our increased commercial and social ties, our more intense mutual activity, to re-establish the disturbed balance, studying and solving the problems which the present time presents to us and which the future has in store for us.

SIMILAR IDEALS AND CIVILIZATION

I believe that we have arrived at the critical moment in our pre-ordained destiny: Both of our countries are progressing onward under the auspices of analogous institutions, of identical ideals of civilization and human harmony, devoted to the task of bearing witness to the efficiency of republican government in the world and to its ability to consummate the happiness of peoples. Almost every element of our social activity is identical; our schools are identical, so are the elements which go to make up our respective national types, both countries constituting, as they do, real cosmopolitan association, melting-pots in which all races are fused together, to produce, perhaps before the close of the present century, a characteristic American type from the Rio Grande up to the Great Lakes, and a characteristic Argentine type, in the Southern part of the continent, down to Cape Horn. Identical also are our destinies, to be worked out in countries whose topographical and climatological conditions are identical.

Our social purposes we hold in common, because a moral sense is the essential law of our public life and the gospel of our internal and external life as a political entity.

For this reason is it that in our longing for the triumph of international democracy we seek to bind also our activities with the activities of your great Republic, in order to establish upon such a bond a lasting and fruitful friendship as positive and practical as possible. A solid base for this friendship can be obtained only when in addition to the ideals and the sentiments and the principles which go to make up the moral activity of peoples, it becomes possible to establish and define those commercial interests which constitute the interchange of consistent activities whereby that other activity, of which it is without doubt a result, is strengthened. Without productive activity there can be no morality, no sentiments, no human ideals, no principles. Likewise, without morality, without sentiments, without ideals, and without principles, there can be no productive activity capable of development and strengthening by means of commercial interchange which gives expression and adds prestige to the friendship of peoples.

TIME FOR ACTION

Hence, gentlemen, I now venture to tell you in the name of the traditional friendship which binds us, that these times are critical times for our closer ties, that these are times of responsibility for all of us who directly or indirectly are concerned for the development of our two countries. I venture to tell you that these times are times in which the possible increase of our commercial interchange can not be treated as a subject of philosophical disquisitions, more or less brilliant, but always fruitless because they entail a loss of time much to be regretted when everything should be action, action, and action.

It is a truth that only one mentally blind can question that my country is a most important market for the expansion of American commerce, as a consequence of the development of American manufacturing industries. It is likewise a truth that your country is a market of the first rank for the consumption of our agricultural products. Gentlemen, this is enough and more than enough to induce immediate action on your part, but the circumstances of the moment emphasize still more the necessity of that action. The sad war which is being waged on the other side of the ocean has diminished our imports of manufactures by perhaps two hundred millions of dollars per annum. At this moment there is no country which can supply

that two hundred million dollars' worth of manufactured products if it be not yours. Yours alone has the necessary factories and does not run the risk which belligerency imposes upon the maritime transportation of the countries at war. Now then, what is needed to obtain a market under such propitious conditions? This is the essential problem presented, and in a proper practical solution of it will we also find the solution of the difficulties which have heretofore delayed the development to the utmost of our mutual commercial relations.

OFFICIAL FIGURES INDICATE GOOD MARKET

I do not know whether I am telling you anything new when I repeat that if we rely on the indications of our statistics, the Argentine Republic constitutes one of the most important markets for the consumption of the manufactured products of the United States. In support of this statement I wish to present to your consideration a résumé of a number of comparative tables contained in the Argentine official publication entitled "International Argentine Commerce," which appeared in 1912. This is an official publication of the General Bureau of Commerce and Industries of my country and is issued under the responsibility of the Ministry of Agriculture. As a consequence the figures appearing therein are as exact as it is possible to make them and the most authentic expression of the facts. Gentlemen, these figures show that of the total exports from the United States to the South American continent, 40.3 per cent entered the Argentine Republic. They also show that our country received 41.1 per cent of the total exports from the United Kingdom to said continent, 47.3 per cent of those from Germany, 49.7 per cent of those from Belgium, 50 per cent of those from France, 66.4 per cent of those from Italy, and 80 per cent of the exports from Spain to South America. It may thus be said that the Argentine Republic absorbed alone 60 per cent of the total exports of the world to the South American continent. Hence I do not believe I am going too far when I say, in view of these figures, that they reveal with more eloquence than any address could, the enormous purchasing power of my country. They also bear out the assertion made on more than one occasion that it constitutes a consumption market worthy of the best efforts of countries producing manufactured products, if those countries are desirous of obtaining now and in the future a certain means of meeting the demands of their commercial expansion.

This purchasing power of ours will be maintained and perhaps it will increase our importations during the continuance of the war, inasmuch as our exportations, consisting as they do almost exclusively of food-stuffs, will this year, according to reliable calculations, exceed those of last year by perhaps 40 per cent.

DEMAND FOR MANUFACTURED GOODS

The Argentine Republic founds its immediate development upon the productive expansion of its agriculture and animal industry, and must continue it for at least a generation to come, during which time there will be an ever growing demand for steel rails, coal, locomotives, machinery, and manufactures of all kinds, to meet the needs of railroad extension, of the cultivation of our virgin lands, and of the embellishment of our cities, in the promotion of the collective comfort and individual welfare of our inhabitants who are increasing in number from year to year in enormous proportions. Such development not only assures the success of American importations at the present time, but is also a proof of future undoubted progress. And in these conditions there is nothing to warrant an excess of mental speculation, nor even weak action or an effort inferior to that which the circumstances call for.

Now, gentlemen, these conditions do not justify the lack of knowledge prevalent among the mass of the American people as to the moral conditions, the social conditions, the political conditions, and, finally, the commercial conditions in Argentina.

The disappearance of this lack of knowledge will bring about in place of that feeling of more or less marked indifference for Argentina among the masses, a sentiment of deep consideration and respect for those moral conditions, of admiration for those social conditions, of interest in those political conditions, and, finally, approximation toward those commercial conditions.

And when all of these circumstances have been realized, we will feel the result both here and there, and the prevailing indifference and lack of knowledge will be succeeded by a social interchange of lasting friendship, with all its benefits and advantages, which is impossible when these conditions do not exist.

One of the most sorrowful consequences of the war for us, aside from the sentiment and affection intensified by the close ties which bind us with the countries at war, has been the almost complete paralysis of European importation, a paralysis which offers to the American market an unsurpassed opportunity for increasing to enormous proportions its commercial field, by supplying the needs which the European industry has ceased to provide for.

Let us see now what practical method could be adopted for supplying those needs and increasing the amount of our international commerce.

TO OVERCOME TRANSPORTATION DIFFICULTIES

There can surely be no better authority in this regard than the official word of the Argentine Government, as cabled some time ago to him who has the honor of addressing you at this moment. In this cablegram my Government says in brief: "Our products are being

exported without increased difficulties, but a scarcity of bottoms is foreseen in the near future for the transportation of our products. A very efficient means of overcoming the difficulty would be if vessels were to come from that country with the usual cargoes, namely, refined naphtha, woods, iron, machinery and other agricultural implements, petroleum, furniture, lubricating oils, typewriters, machines, etc. These vessels would return with our products, such as refrigerated meats, wool, hides, quebracho, tannin, live stock, etc. American manufacturers could step into the place left vacant by European industries in all branches formerly supplied by them, such as coal, steel rails, galvanized iron, woolen goods, pig and sheet iron, machinery in general, cement, locomotives, railway cars, refined sugar, automobiles, galvanized iron or steel wire, rail joints, sheet zinc, cotton fabrics, printing paper, electric wire and cables, iron pipes of all kinds, manufactures of iron and steel, household articles, woolen clothing, etc., etc. The present moment offers to manufacturers of such articles most advantageous opportunities for openings, taking advantage of the shutting down of the European market. If they want to get it, it is for them to take the initiative by sending at least small cargoes, and especially by adapting themselves to the custom of not demanding payment on delivery, a custom which others have followed with marked success."

NEUTRALIZATION OF INTER-AMERICAN COMMERCE

As you see, one of the practical measures suggested in this dispatch to relieve the needs of our exportations, is bottoms enough. It seems to me that perhaps the way to meet this serious inconvenience—the getting of ships in sufficient numbers—would be to procure the complete neutralization of inter-American commerce. It is undoubtedly not an easy task at the present moment to solve as we would desire, all the difficulties encountered by the neutral commerce of the world in view of the conflicting interests of the belligerent countries. But there could be no reason which would justify opposition to the maintenance, to the fullest extent and without any hindrance whatsoever of commercial interchange between the ports of our continent. I maintain that the complete neutralization of inter-American commerce ought to be recognized, and, therefore, I entertain the hope, or more than that, I might say that I feel the certainty that we would be able to have the countries at war agree with us in establishing the rule that during the present war no vessel engaged exclusively in the trade between American ports shall be subject to search, detention or capture by a belligerent, no matter what flag she flies, so long as she is engaged exclusively in that commerce.

With such a rule we should be able to obtain all the vessels we need for the promotion of our commerce with the United States and the other American Republics to the maximum, developing as a consequence our friendly relations with all of them and lessening the sorrowful conditions created by that war.

That dispatch which shows you with how much favor our most conspicuous elements look upon the possible expansion of your commercial relations in our country, is supplemented by the opinion which the Minister of Foreign Affairs transmits to me more in extenso in an official dispatch just received by me, and which, speaking among ourselves in the strictest confidence (as it is a diplomatic document), reads as follows:

OPPORTUNE TIME FOR EXPANSION

"The moment is indeed a suitable moment for successfully undertaking a movement of vigorous expansion in commercial relations. As a consequence of the war, many European factories have reduced their output or have been compelled to concentrate all their energies to meet the needs of local consumption. Communication with Germany is daily becoming more difficult and this circumstance contributed to shutting off importations from that country, which has already been greatly affected by the great scarcity of labor there. The allies do not encounter the same obstacle, but they also are suffering from the effects of the necessities imposed by the military service. The fact that our textile and shoe factories have been called on to contribute to the belligerent countries shows to what extent the relative situation of industries has changed, because you know that up to the present time these branches of production have depended on the domestic market, under the protection of insurmountable customs barriers. If the road to exportation is temporarily opened to them, it is because those countries are compelled to have recourse to all accessible sources, without standing on price or conditions.

"In the manufactured articles which Argentina can produce, the increased activities of industrial establishments will partially fill the vacancies left by reduced importations. But many other items are left which it is impossible to supply and which offer to American commerce an excellent opportunity to fill the positions now vacant. Although as a result of the domestic crisis the level of normal consumption has sensibly fallen, there is still a sufficient margin left for broadening the scope of business with the United States and to cement ties which will continue to subsist after the conclusion of the war.

"I have consulted persons whose judgment is valuable as to the most practicable form of opening the channel to the currents of American trade in our country, and all of them agree that the principal condition to be complied with depends exclusively on the persons interested themselves whose well-known commercial activity appears to suffer from a lack of adaptability to foreign methods when they do business off their own ground. The development of German commerce in recent times shows us by comparison the foundation for this fact. As a general rule German firms are in the habit of sending out agents to study minutely the peculiarities of local tastes, types, colors, quality, packing, etc., and they adjust themselves thereto strictly,

without endeavoring to object to them or modify them. Their tactics consist in fulfilling all requirements, no matter how extravagant they may appear to them in order to assure to themselves the preferences of the consumption. They have thus made their advance during the last few years with a push which might surprise us did we not see the same process repeated with the same result in many other countries.

AMERICAN METHODS LACK ELASTICITY

"It appears that American commerce lacks the elasticity necessary for practicing this system. It has the pride of its own methods, and seeks to impose its conditions. It sends its good to Buenos Aires as it would to Philadelphia or Chicago, and when it finds opposition it stands stubbornly resolved to overcome it or be overcome by it, without bothering about following the course which is indicated to it. Here is an example. It was told me by a local merchant of the highest standing. The gentleman proposed to undertake the sale of a certain class of machinery, but he desired to do so under his own name in order that his advertising expenses might not inure to the benefit of another. It is obvious that if the sale was made under the name of the manufacturing company, it could, after the expiration of the contract with him, take advantage of the credit established by him and sell directly to the market, while the real advertiser would be compelled to begin anew in competition with his own creation. The business was proposed to an American firm which declined to accept it unless the article was sold under its name. On the other hand the German factories hastened to accept the requirement so that the vendor can devote all his efforts to putting on the market the merchandise without any danger of seeing himself by any accident deprived of the fruit of his labors. This example has its illustrative value because it presents in synthesis the two policies and their respective effects.

"The American firm will continue to enjoy the satisfaction of not selling its products under another's name, but in the meantime it does not place a single machine in our country, while its German rival is making large sales without in the slightest affecting its commercial probity.

CREDIT SYSTEM PREVALENT

"The hard-and-fast rule of the Americans appears especially in the matter of conditions of payment. They only sell for cash as opposed to the traditional custom of our market which establishes a usual term of 90 to 180 days. The volume of capital here is not sufficiently large to admit of the form of transactions usual in the United States, and if the business men of that country persist in their position, it will be very difficult for them to open a way for themselves here, even though they have in their favor the exceptional facilities which the present time offers them.

"What is now necessary is that American merchants shall come to realize where their own conveniences lie and place themselves in a position to obtain a footing in our market. It is to be assumed that the establishment of the new branch bank will tend toward this end. This is a positive act toward commercial approximation. Heretofore commissions have come to study our market in order to establish a bank, but the 'threat' was never carried out until the present time. In fact the fruitless measure was repeated so often that it began to border on a farce when American commission after commission appeared, always having in their pocket-books the future bank but never deciding to leave it. Finally, they have gone beyond the attempt, and the new institution, after it becomes well assimilated to our surroundings may become a very efficient aid for men interested in extending their business on this side of the continent."

ARGENTINE-AMERICAN CHAMBER OF COMMERCE

The problem of closer commercial relations between our countries is a practical question, and it would be solved sooner, in my opinion, if we were to study reciprocally our commercial methods and characteristics. On our part we have already done our very best, and we are not asleep at the switch. I venture to believe that a very convenient way of attaining this end would be to organize a special Argentine-American Chamber of Commerce in which the parties interested in the task of furthering to the utmost the development of our commercial bonds, would study and seek to solve all the problems that such a task would present to us. Organizations of like character exist at present in all the countries of Europe and have produced great results in the development of the commercial relations between Argentina and those countries. Why not, then, use the same successful means in the furthering of our common interests at the present moment?

Gentlemen, I must now finish, but not before telling you first that the Argentine Republic has followed and continues to follow with admiration and regard the wonderful progress of your great country; it is studying your action in every branch of activity and your history. Your political, economic and social institutions are familiar to it, as are your industrial and commercial organizations and methods. Their is not a single detail of your national life which escapes the study, the attention and the knowledge of our statesmen or of those who direct the industrial and commercial activity of the Argentine Republic, and it is upon that knowledge and that study that is based our admiration and our sympathetic feeling. As a people of ideals,—of human ideals, I mean,—they encourage with their enthusiastic applause progress and action wherever they may appear. And, gentlemen, I can not venture to affirm that the same study and the same knowledge can be attributed to this country with respect to ours. If that study and that knowledge were present, you also would be familiar with our problems, we also would be objects of your admiration, American applause would also greet and encourage the action and the efforts of those of us who at the other end of the continent are building up another type of democracy and republicanism, another element of human progress, another political and social glory for America.

Problems of Commerce and Trade

Address by Hon. William C. Redfield, Secretary of Commerce

THE first thought that I wish to utter in your presence is one of thanks for an opportunity that is almost unique. I have had the privilege of writing a letter today which I could hardly have written were it not for the work of your body and the bodies which throughout the country are affiliated with it.

When the Manufacturers' Census, which is now in progress, to date of the first of January, was undertaken some months ago, it was a privilege to consult with the committees of this body as to the form of the schedules and as to the methods by which that great and important work was done. We received from you many valuable suggestions, and many of them were incorporated into the schedules. Furthermore, and quite as important, we received from you and your affiliated bodies support in getting your members to give attention to these schedules when, in their amended form they were presented to manufacturers. I had the privilege today of writing to the Chairman of the Committee on Appropriations requesting him in the present pending legislative, executive and judicial appropriation bill to reduce the appropriation already passed by the House by \$40,300, for the reason that we have already received in this single month from manufacturers, without cost to the Government, over 50,000 completed schedules. It is altogether possible that we may save as much more, but we have taken advantage, largely through your assistance, to try to get the present appropriation bill now pending made smaller by the exact amount of \$40,300. I imagine that the Chairman of the Committee, Mr. Fitzgerald, will have something of a shock when he reads my letter in the morning.

There is one other subject of department business which concerns you, which I wish to bring frankly before you for your thought during the coming year, and to ask your aid in bringing it so to the attention of Congress that at another session we may, if possible, obtain funds to do the work. We gather now all the facts possible about our foreign commerce; we do almost nothing whatever, respecting the facts of our domestic commerce.

LACK OF STATISTICS

We do not know what the commerce is upon the Lakes. We do not know what the commerce is upon the Mississippi River or the Hudson River. We do not know what the commerce is coastwise along our shores. We know it is vast. We know, in a general way, that the volume of our domestic commerce exceeds forty million dollars a year, but the facts about it, though they exist and are available, are not collected by anybody, and if you asked for them I could not furnish them to you. It is not a large sum that is needed to gather these, to edit them and to prepare them for publication. Twenty-five thousand dollars a year would make an admirable beginning. It would be a service to American commerce if this great body could put its weight behind a request for a modest sum to make the facts available so that we may know what the movement is of merchandise throughout our country. We know, for example, that the movement through the Sault Ste. Marie Canal is vastly larger than through the Suez, but just what it is in value we do not know, and we ought to know. We ought to know, in order to do our river and harbor improvement work intelligently, what the commerce is upon our streams. We do not know. The facts can be had if we had a modest sum with which to collect them. I submit this for your consideration during the coming year, and with it will end my own talk about shop, though I know my friend and colleague Dr. Pratt will talk to you tomorrow about the work of the Bureau under his care.

I should like to go into the facts about our commercial attaches. We talked about them a year ago. They are at work now. I should like to tell you how they were appointed and why they were appointed and who they are, and the kind of men we have got on the job in the foreign fields. I am proud of the men. You would be. I am simply going to say now, and leave it to my friend Dr. Pratt to enlarge upon tomorrow, that if you have to do with the ten great ports in which these men are located you will find there a trained business man, speaking easily and fluently the language of the country to which he is assigned and intimately familiar with business there. We have even carried that so far that in China we have a man who not only speaks classical Chinese but dialects also.

GOVERNMENT AID TO BUSINESS

Now I want to speak to you tonight of three themes. The first theme is the attitude of the administration toward business. Please do not think that we are afraid of it. Deeds are better than words, and I am going to tell you, if I may, of certain deeds. Two years ago the total appropriation for the advancement of American commerce abroad was \$60,000, a smaller sum by far than many a department store in many a city spends annually upon its advertising. The sum of money available to us during the past year for this purpose has been \$225,000. For the coming year it will be \$250,000. In the two years we have been given authority to use four times as much money as was ever applied to this purpose before. If we can show, as I think we shall be able to show, and as I believe Dr. Pratt in his address tomorrow will show, definite, practical business results for the expenditure, I have every reason to believe that Congress will support us further. Certainly I shall have no hesitation in asking them for whatever may be needed for the purpose.

We have now a hundred thousand dollars per annum for commercial attaches. We have \$75,000 per annum for promoting commerce in Latin America alone. We shall have \$75,000 per annum for the

rest of the commercial world. It is not much, to care for an outgoing business which amounts to about twenty-five hundred millions; it is better rather than big, but I think it is beginning to bring practical, definite results.

I think I am correct in saying that a year ago American cement was excluded by certain specifications from large buyers in Latin America. I am sure it was so excluded, because it was something of a job to get the specifications corrected. But they are corrected, now, and I have had put into my hands an order from the country that formerly excluded us for 50,000 barrels of cement at one time. We find specifications carefully prepared against America, and it is part of our duty to point out that that is obviously an undesirable course for the buyer. At this present moment we are dealing with a specification in Africa which requires that certain locomotives shall be made of iron, not called by the name of, but produced in, Yorkshire. Naturally, it is difficult for an American manufacturer to buy that iron, but until we can get the specification changed, that is what he must do if we are to fill the orders.

An entirely new development in our foreign trade has arisen during the year. It is that which requires a government certificate as to the quality of the goods; not a guaranty, but a mere statement of fact; and we accepted the order for cement of which I have spoken with the understanding that the Bureau of Standards of our Department would apply that necessary official certificate. I have before me now a copy of my request to Congress for \$25,000 per annum for a fund to permit our giving those official certificates of quality wherever they are required, but without expense to the Government, because a fee is charged for each, which, in its turn, refunds the entire appropriation.

We are endeavoring, gentlemen, as practically as we know how and in a very common sense sort of a way, to serve the commerce of this country as fully as we can, and I think we are beginning to see signs of very encouraging progress.

DESIRE TO ADVANCE COMMERCE

Those facts which are our daily work, speak more than any words of mine can speak as to our desire to help commerce forward. I rejoiced to hear what the President said yesterday before you as to the possibility of co-operating in the foreign trade. I know from my own experience what it means, as one of the little fellows, to make way against the competition of the highly organized countries of Europe, and I shall be glad and will in every possible way further such reasonable opportunities for co-operation as will open the door as widely as possible to the smallest American manufacturer to get his share. But that is not the only thing which in my judgment needs to be done. Inasmuch as we have made it unlawful, with, as I believe, the moral assent of the American people, to control the American markets on the part of American monopolies, so we must make it equally unlawful and impossible that our markets shall in any degree whatever be controlled by any foreign monopolies. We must not permit that any foreign monopoly, government supported or not, shall be permitted to do that within our own territory which our own citizens are not allowed to do. One other thing: I speak for myself in what I have just said, and without any representative capacity at all. One other thing seems to me to be an essential factor also, and again I speak for myself alone, and may speak, as the great Apostle said, "As a foolish man,"—though I think not. I think we should make it possible for several of our banks to unite in establishing foreign branches.

I doubt the wisdom of the policy which confines that privilege to the largest ones, and would open it with proper care, and always under the surveillance, active and thorough, of the Federal Reserve Board. I would open that privilege as largely as possible to American finance.

I have not thought that in these things there is aught of enmity to business. I have, however, heard of men, heard of them recently, who said they did not like to be thought undetected criminals. I do not know how it is possible to remove that impression except by deeds of helpfulness to American commerce. If men will believe that in the face of the fact that we have secured four times as much money as ever was had before, that we have established a new foreign force that never existed before, that we are sending far and wide throughout this globe our traveling men to get American orders—if they will still believe that we, doing those things every day as our common work, think of business men as undetected criminals, then I am reminded of the words of the Great Book, which has said, "They have Moses and the prophets. If they do not believe them they will not believe though one rise from the dead." What other evidence can the Department of Commerce give, gentlemen, of good will towards the business of America than to give its whole time and effort in its service?

BRANCH OFFICES

Two years ago there were no branch offices of our department serving commerce. The only office then was that in Washington, with very small means, doing good work, I grant you, but crippled for lack of funds. Today, outside of Washington, we have eight such offices, and we are maturing now a plan whereby every chamber of commerce in the United States may, if it will, become immediately and directly affiliated with the commercial work of the department.

I do not know how better to express good will than by good deeds, nor have I ever had from any colleague in the government aught but support and assistance of the most willing and thoughtful kind. Never for a single moment has there been grudging in this work. No one

has in private opposed it: All have in private and in public advanced it. It has had the most earnest support of the President from the beginning. It has had the most complete co-operation in the foreign field of the Secretary of State. I have yet to hear the first word of reluctance about the forward movement of the department to help American commerce to its highest good.

ATTITUDE OF BUSINESS TOWARD BUSINESS

Having said that much, I want to speak to you briefly on the second subject, which I wish to lay before you, the attitude of business toward business. In the Bureau of Standards today I saw a large sample of wool waste, which was sold to the Panama Canal. It was, as a matter of course, submitted to us for a technical inquiry. It proves to be half wool, and the other half partly hemp, partly jute, and partly other things. What does this body think of that sort of thing? If the vendors think this is not found out, then are they greatly deceived. We have the means of knowing whether goods are up to the standard, and no purchases pass untested. Let it be understood that the day when Uncle Sam can be fooled on such matters has gone.

You have in your bar associations grievance committees, who deal with matters of unprofessional conduct. There exists in the Army and in the Navy a standard of conduct "unbecoming an officer and a gentleman." When will some American body of business men put the stamp of discredit upon that sort of procedure?

Nay, that is not all. Whither are we tending? I heard today from a representative business man of an order filled by American factories to one of the belligerent nations in central Europe, for goods which, when they were put in use, immediately disappeared because the quality was intolerably bad. I heard today from another responsible business source of an order from another foreign nation concerning which instructions were given to work into it all the old, off-color, off-quality material available in the factory. When a man makes money by that process to the dishonor of America, will an organization like this tolerate it?

We have before us now samples of rope alleged to be manila hemp but which are 20 per cent or more African sisal. They look alike. It is extremely difficult to tell them mechanically, but I warn you that a chemical test is being made. Shall the honor of American commerce be blackened and shamed and disgraced by that sort of fraud? I hope the attitude of business toward business will be one of exacting honor.

And one thing more on this same theme. What will you do, practically do, to stop crooked manifests, incomplete manifests, things concealed, things painted to resemble other things? Why must it be necessary to have one crook throw a shadow upon all American commerce? One man omitting from his manifest the things he does not desire to be seen may do infinite harm to a hundred honorable gentlemen in American commerce. I hope this body and every body, representative of the honor of America, will say these things ought not so to be, and will condemn them, not by silence, but by speech and action. We are ready to help. We are sending men now into all the continents to hunt for American business, but if men at home are tolerated in business circles because successfully they do these things which injure all of us, then our work must largely be in vain. The attitude of business toward business is more essential to American commerce today than the attitude of the Government toward business, which is clear and straightforward.

WAR'S EFFECT ON COMMERCE

These things lead me to the third subject about which I am going to speak with frankness but not in controversy. I am not going to say a word about the shipping bill, but I want to say certain things—it is my duty to say certain things—concerning conditions in American commerce. First of all, I want to speak with frankness of the attitude America holds today toward the rest of the world. That attitude is one she has never held before, and which no other nation in history has ever held before. There has been no great universal war since the industrial system was founded, since the steamship was invented, since the telegraph came into use, or since modern finance reached its present highly perfected form. The last universal war ended with 1815. Since then combats, however severe, have been localized. The war between France and Prussia, the war between Austria and Germany, the war of the Crimea, the war between Austria and Italy with France, none of these interrupted as a whole the flow of the world's commerce. We are living in times in which men never lived before, the like of which they never saw before. The whole great structure of international commerce, which grew up silently, which seemed unbreakable and indestructible, fell to pieces in a week, in the first week of August last. It found us alone. For the first time in the history of the world one great industrial and agricultural nation had to bear the shock all by itself, for there was none to help. The currents of finance, which normally flow from fiscal center to fiscal center in time of need, did not so flow. Money was not readily transferred from London to New York, or from Paris to London, or from Berlin to Vienna or from Petrograd to Berlin, for these several great bourses of the world were busily engaged in looking out for themselves, and the whole shock of the break-up of the exchanges and the world's international commerce fell on us, and it fell on us at a very bad time. We were debtors in the markets of the world. We had possibly something like five thousand million dollars of funded debts which we owed and we had from three hundred million to five hundred million dollars of floating debts. Our creditors wanted it and they sent gentlemen over here to arrange to get it. I need not tell you the problem which New York City had to face in September, but it would be ungracious and untruthful if I failed to say to you that this country will be indebted always to the sagacity and the honor

and the vision of American bankers and business men who helped us through.

And now, as you look about you, it is changed. If the business men of America want an earnest of the power of their country they have it in the attitude of America toward the world on the first of February as compared with our attitude toward the world on the first of August. The floating debt is paid, but paid in goods and not in gold. The emergency currency issue has all but disappeared. The clearing house certificates are gone, and the record of our foreign trade reads like a mounting romance through these seven months past.

At the risk of wearying some who know it well, let me briefly tell you that wonderful story; for in my judgment, when the history of this time comes to be written the seven months that have elapsed since August will be found to be one of the bright pages in American commerce.

In August the balance of trade in international merchandise transactions was against us by about eighteen millions. September changed it to a favorable balance of seventeen millions. October added fifty-six millions to the favorable balance. November added seventy-nine millions to the favorable balance. December added one hundred and thirty-one millions to the favorable balance. January, I am glad to say, will add at least a hundred and fifty millions to the favorable balance.

And so we have paid the floating debt, and meanwhile have recovered our poise at home and now face, if we are permitted to face, the greatest opportunity commercially that ever came to an industrial state.

I wonder if some hard-headed business man thinks that hyperbole. I have had a despatch from the prime minister of a great country abroad, so frank as hardly to be publishable in its original form, almost begging—let us say strongly urging—that America take the place in his country that Europe has laid aside. I have another from a monarch himself of a European power saying frankly that he wanted America to come into his land and take the place which others had hitherto filled.

Today an able attache is there at the court of that monarch, speaking the monarch's language, thank God, and entering his country to do what he can do to unite that nation to our's. The King has said that he will put into America a branch of the bank of his country if we will undertake to establish banks in his country, and that whatever he can do, officially, to forward American commerce in his land, shall be willingly and continuously done.

That is the least of it. I beg of you, gentlemen, not to be persuaded by the daily news columns of the press into the belief that our foreign trade lies chiefly in what we may call, for lack of a better name, "war orders." That is not so. It is a complete misunderstanding of the whole situation which makes that a controlling factor in the foreign business of today.

UNITED STATES LOGICAL MARKET

Where—answer me, please, if you can—where would you go if you were a foreign merchant, let us say, in Ceylon or in Japan or in China or Australia or Siam; where would you go in this wide earth now to place an order which required four months for its manufacture and shipment save to the United States? Where would you go from South Africa, from South America, from Iceland, from New Zealand, to place an order that took four months to fill, save to the United States, for fear you would be interrupted by war? Think the world over. List all the industrial nations, if you please: Which of them is out of the conflict? Italy, ourselves. Italy has mobilized a million men; she has belligerents on two frontiers. If you had to place an order which took four months to fill, would you place it there or here? It is because the world is coming to America now for credits and for goods and because in a very true sense she can go nowhere else, that I am deeply concerned about the present commercial opportunities for the United States. We have had hitherto two great competitors in the world's markets. Where are they now? In spite of their competition, highly organized, scientifically localized all over the earth, backed by tremendous power of finance—in spite of it all we have grown so far as to be one of the "big three" in the world's markets.

One of the big three is out of the markets now wholly. Another smaller competitor, but active, is also out of them wholly. The textile and the iron districts of another industrial people are the very scene of war today, and are doing no foreign business, and the other great competitor is straining her industries to meet the demands of war upon her. At this time come to us, come to us beseechingly, all the neutral powers of the world maintaining, either publicly or privately in our country buying commissions, seeking from us the goods which they can get nowhere else, and which they frankly say they cannot purchase elsewhere. Shall we or shall we not take that opportunity to the full—to the full, not to a part?

LACK OF MERCHANT SHIPS

In my belief, gentlemen, it would be perfectly easy to add a hundred millions a month to our foreign trade now if we could ship the stuff. I have personally seen within ten days on the wharves in Galveston and New Orleans tens of thousands of dollars worth of American goods for which there exists no possible means of transmission at all. I have seen in Galveston, Greek ships, Spanish ships, Italian ships. I have seen American ships, thank God, and big ones, too. But I see on the wharves in these cities goods that are refused transmission at any price. I am not going to suggest a remedy; I want you to see the truth.

I can take you to a factory in the State of Texas which sells its entire product abroad, and which, though its goods are sold for

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The Opposition and the Shipping Bill

Address by Hon. Theodore E. Burton, United States Senator from Ohio

I CONGRATULATE you on your organization and its aims. Ten years ago, I addressed a somewhat similar gathering intended to be national in its scope and foretold for them a field of usefulness far and away beyond that of any local organization. This body represents the United States. No pent up Utica restrains your activities, but a whole boundless continent is yours, and in the ramifications of your work you seek to put Paris and Berlin and London and Hong Kong on the map alongside of New York and Chicago. I trust that you may succeed in enlarging the trade of the United States and that your aims in every line, commercially and industrially, may also join with civic activities in which you will give a wholesome stimulus to our political life; for, in this age, no man can be a business man alone; he must keep in touch with the great movements of humanity which are so powerful in this day.

First of all, is this policy to be permanent or is it to be temporary? If it is to be temporary one set of reasons would apply. If it is to be permanent another line of policy should be adopted. I want to read very briefly some of the varying statements on that subject.

In the report filed by the Chairman of the House Committee, Mr. Alexander, is this language:

"While we need merchant ships to meet the present emergency, let us pursue a policy that will secure them to us after the present conflict in Europe is past."

In an address at Boston, on the 5th of January, he said:

"The Government ownership bill is spoken of as an emergency measure. It should not be so called. European governments have in the past laid the foundation for their merchant marine by government protection."

THE FLETCHER BILL

I might read divers other expressions to the same effect. Now let us listen to a different note. Senator Fletcher in bringing forward this bill in the United States Senate on the 4th of January, one day before the speech from which I have read an extract, said:

"Without going further into the details of this bill, I assure the Senate in the first place, and the country, that it is not a permanent business undertaking on the part of the Government that is intended here."

And the language of the President as used in his message in December would seem to point in the same direction:

"It is not a question of the Government monopolizing the field. It should take action to make it certain that transportation at reasonable rates will be promptly provided, even where the carriage is not at first profitable, and then when the carriage has become sufficiently profitable to attract and engage private capital and engage it in abundance, the Government ought to withdraw."

Now, there you have those two sides. Which are we to take as authoritative? There has not only been a change from December to January, but apparently a change from Monday to Wednesday, or rather from Tuesday to Wednesday; for upon the Hill on Tuesday a coterie of those favoring the measure were seeking to conciliate seven of their colleagues by promising them the minimum of government ownership, agreeing to limit the operation of the bill to a year or two and to provide for leasing the ships to private operators; while on Wednesday morning, after failing in their first endeavor, they were promising another group to embark the government on a permanent policy of government ownership. Apparently the proponents of this measure have utterly lost the bearings of their traditional statecraft and are ready to plead an emergency or fly to socialistic doctrine, whichever will win the votes.

OPERATING AT PROFIT OR LOSS

Again, is this to be an enterprise for profit or not for profit? Is it supposed that by running at a loss for a period, in some mysterious way, the business would become profitable as implied in the President's message and the Government then be able and willing to turn it over to private hands? Of course, such a supposition is without any foundation in reason. The sure result of the Government operating merchant ships at a loss would be the complete demoralization of the shipping trade, the destruction of such merchant marine as we now have and a long postponement of the day of its revival.

Again, there has been another change, this time in the purpose to be accomplished. When this measure was brought forward in August, and when it was advocated in December, it seemed that what was under consideration was trade development with South and Central America; new avenues of trade; "empty markets," to use the expression of the President "were the objects in view." Nothing was said about the settled countries of Europe. Now there is an entire change and the advocacy of the bill is based upon the necessity of sending freight to Europe. The idea that we need more shipping for South America at this time, although it was the first reason for the passage of this bill, although for months that was exploited as a reason why the Government should engage in the business, is a chimera.

THE SOUTH AMERICAN TRADE

Ten boats leave every month on the average from New York for Rio Janiero on the east coast of South America. What are the facts? Before and since the war they have been running with a surplus of cargo space, sometimes being only half filled. A few weeks ago a passenger boat fit to engage in the trans-Atlantic trade, came in from Rio with six first-class passengers and seventeen third-class passengers, and that was the whole passenger list. On the west coast of South

America, notwithstanding the stimulus afforded by the opening of the Panama Canal, the Peruvian and the Chilean Navigation companies, which jointly ran boats weekly, have withdrawn the weekly service and made it fortnightly. I trust that the old condition is soon to be restored.

Here I want to call attention to one phase of this whole freight situation. While there may be sporadic instances of high rates to those portions of the world that are at peace, there has not been a rise in the charges so great as that which has frequently happened in the times of profound peace. Generally speaking, the rates to South America, to South Africa, to India and to Hong Kong have been raised about 25 per cent. In sporadic instances rates in the war zone have been raised eight or nine times. Thus the disparity in the increases is the substance of the whole matter, and shows conclusively that the increases are in direct proportion to the dangers of war.

AN INTERNATIONAL WAR CRISIS

I am sorry to say that there are a great many of the people in the United States who do not seem to realize that we are in the midst of the most titanic conflict between nations that the world has ever seen. We should have a deep realization of what it means. Happily we here in America are at peace. The sun shines over peaceful fields and witnesses people joyous because they are not engaged in war. Heaven be thanked for the blessing that belongs to us, and woe to the man who would stir up strife or interfere with that neutrality, that strict impartiality, which the American people should maintain at this time.

I may have sympathies. I may think one nation or the other is more to blame, but I do not tell anybody; and I do not think anyone who has in the remotest degree any official responsibility should do so. We should not at this time allow fondness for the enlargement of trade—a disposition with which I sympathize—to erase from our minds a realization of what this war means and of the duty of the American people. The brightest page in it all is the work of this whole nation for the suffering of Europe, the activities of the Red Cross Society, the great foundation in New York, and the universal response of the American people in sending food and supplies to the suffering and dying of Europe. When the contest is over this will be our chief distinction, rather than sending war material or capturing trade.

I want you to realize this fact: There is war, and this war has deranged the routes of trade. It has destroyed many of the agencies of transportation. It has diminished shipping facilities. It has introduced demoralization, partial destruction in almost every branch of commercial and industrial activity. Do not ignore that fact, and do not treat this question as if it was one to be settled as if we were now at peace.

A NON-PARTISAN QUESTION

I agree with the honorable Secretary of the Treasury that this matter should be considered as a non-partisan one. I took that stand in the first remarks made in the Senate some days ago, which undoubtedly were much longer than any remarks I shall make to you today. Last Monday, when I saw seven Democrats, in the face of oburgation and censure, stand up and vote to recommit this shipping bill to the Committee—which meant its defeat—I thought it was beginning to assume a non-partisan phase in the Congress.

Will the conditions of European trade be relieved by increased shipping? Do not let us deal with generalities. Let us get down to the facts. What is it that has caused this decrease in the supply of shipping and an increase in freight rates? In the first place German and Austrian shipping is withdrawn from the seas. Those boats probably carried about 14 per cent of the foreign trade. But let us consider that for a moment. If German and Austrian shipping is withdrawn from the seas so also are Germany and Austria shut off from the trade of the world. The Baltic Sea is practically closed to trade; so also is the Black Sea. And, roughly approximating an estimate, we may say that the trade of the world has decreased because of the war in just about a like proportion. The situation would naturally call for an increase of our exports—more food and more supplies. More food and more supplies are destroyed when war is in progress. This tendency is emphasized by the desire of the nations, as Italy and Sweden and Norway, near to the theatre of war, but not engaged in the conflict, to prepare themselves for all exigencies. That has increased the measure of their purchases. All factors considered, the withdrawal of this German shipping, is no doubt a factor in the increase of freight rates.

WAR RISK INSURANCE

Another factor of great importance is the liability of boats to search and seizure. Still more important is the cost of war risk insurance. Even if it be only two or three per cent for a voyage, just think what that means. Suppose there are half a dozen voyages in the year. 12 or 18 per cent must be paid for war risk insurance. That would be far away beyond the ordinary income on investments of capital. Another reason is the dangerous channels through which shipping may go. If there is any one thing that the mariner fears more than others it is a hidden obstruction. He fears that his boat may run upon the rocks. But infinitely more dangerous is the mine which, when it explodes, not only stops the vessel and blows up the hull, but perhaps carries captain and crew and all into Kingdom Come. Then there is another reason. The requisition, especially by Great Britain, of a good share of its shipping to be used for military purposes.

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The Administration and the Shipping Bill

Address by Hon. William G. McAdoo, Secretary of the Treasury

BEFORE I begin my speech I want to take exception to the statement of your presiding officer that the Secretary of the Treasury is not a seafaring man! He unconsciously betrayed, in that statement, the ignorance on the part of the American public at large of the functions of the Secretary of the Treasury. The Secretary of the Treasury is the oldest seafaring man in the history of the American Government! Since 1790 the Secretary of the Treasury has been the head of the most unique and gallant and remarkable service known to the history of the nations—the Revenue Cutter Service. It was the inception of the American Navy, and today there is not a sailor who faces the wintry or the summer sea, nor a passenger who is bound homeward or outward upon one of those great ocean liners, who does not feel safer and more secure because he knows that that service, maintained by the American people, is on guard to protect him against the disasters of the sea. And this gives me an opportunity of saying, ladies and gentlemen, that when criticism is made of this bill because the Secretary of Commerce and the Secretary of the Treasury are made members of the proposed Shipping Board, that you are putting men at the head of this Commission who do not know anything about the sea or anything about navigating ships or anything about the shipping business, it is an error.

THE GOVERNMENT'S INTEREST IN SHIPPING

I am not here to appeal for a place on the Shipping Board. That is the last thing I want, myself—and when I speak of the Secretary of the Treasury I am not speaking of myself, but of the office and of the duties that devolve upon it and of the appropriateness in any enterprise of this character of having these two men, these two government officials, charged with great responsibilities in connection with the shipping interests of this country, upon that board.

In the first place, the Secretary of Commerce has charge of all the lighthouses in this country; he has charge of the lighthouse tender service of this country, running a fleet of vessels in connection with that service, and he is bound to know something about the shipping business. He comes intimately into contact with it at various points of the compass. The Secretary of the Treasury, in the command and direction of that splendid fleet of 44 vessels, whose value in the aggregate is as large as that of many of the merchant fleets of the world—and greater than any of them in the service that it performs—must have knowledge in very considerable degree of the shipping business. He, with the Secretary of Commerce, enforces the navigation laws of this country. He, in connection with the Secretary of Commerce, deals with every ship's manifest that is filed in this country. I might enumerate the manifold points at which these two great departments come into intimate touch with the merchant marine of all the nations in the world, making it necessary both for the heads of these departments and for their staffs to keep in close connection and relationship with the shipping interests of all the nations that have intercourse with the United States of America.

Objection has been made against this bill that the Government may make a loss if it goes into the shipping business. I do not think the Government will make a loss. But are we to be determined in our action about great and vital national policies by the question as to whether or not we may lose or make a few hundred dollars or a few thousand dollars?

REVENUE CUTTER SERVICE

Let me illustrate by the Revenue Cutter Service. In the last year, 1914, it cost \$2,500,000, approximately, to keep those vessels in service. Under the regulations of the Department, no revenue cutter can stay in port over 24 hours without an explanation to the Department. Why? Because its function is to keep upon the high seas, to save life and property, as well as to protect our coast against smuggling and other offenses. The revenue cutters, in saving vessels at sea, do a salvage business without charge, and wrecking and salvage companies have complained that the government is engaged in private business, competing with private wrecking and salvage companies, but should we abandon the Revenue Cutter Service for this reason?

In the year 1914 the Revenue Cutter Service saved nearly ten millions of dollars of shipping property in peril at sea, and it saved, in addition to that, four hundred and fifty or more priceless human lives; and yet, would you say, gentlemen, that the Revenue Cutter Service should be abolished because it costs this government money to maintain it? Are we governed by such sordid considerations that nothing should be done by the Government unless a profit is received? Why did we build the Panama Canal, in which we have invested over three hundred and seventy-five millions of dollars? Did we do that because we expected to make a financial profit for this nation? Would we have hesitated to enter upon that great work because we could not see at the end of it an actual money return upon our investment? Where the vital interests of this nation are at stake, where the lives of its citizens are involved, where the property of its subjects is put in peril by the seas or otherwise, it is the function of government, regardless of cost, to come to the relief of its people.

And so, my friends, when American commerce is today in jeopardy; when, through acts of belligerent nations in which the innocent American people had no part, freight rates are soaring to impossible heights, hampering our commerce, affecting our material as well as our financial interests, affecting, in large measure, the actual life of the nation itself, I confess that I have no patience with the idea that the

American Government must sit with fettered feet and trammelled hands and refuse to protect the American farmer, the American business man and the American producer in circumstances of this kind.

PROTECTION OF PRIVATE PROPERTY

My friends, there are times in the life of every nation when it is necessary that every power of the Government shall be exercised to protect the property, the rights and the lives of its citizens, and this is a time when we must face this issue squarely and when we must not, because of any hidebound dogma or any academic theories, or any fears that this or that thing may happen, hesitate to go straight forward in the path of duty, and do the things that are necessary to be done, and do them at the time that it is necessary to do them, because remedies are not worth a continental unless they are applied when the disease is at the acute stage.

Now, we are at the acute stage. Since August, 1914, our commerce has been seriously affected by the conditions which have arisen on the other side of the water. In response to a Senate resolution, the Secretary of Commerce and myself made a report to the Senate a few days ago, and I want to read to you a few things in this report which will convey to you more strikingly than any words of mine can possibly convey, the conditions that affect American shipping interests, American farmers, American manufacturers, and American business men in general who are interested in our export and import trade.

These letters were sent to the two Departments without any direct request whatever for information. They were voluntarily sent in response to the request in the Senate resolution that these two departments, connected as they are with the shipping and business interests of the country, should furnish all available information.

Garcia & Company, general commission merchants of San Francisco, wrote under date of January 5 as follows:

"We beg to say that we ourselves have shipped in the last two months five hundred or six hundred tons of dried fruit to New York through the Canal at Panama for reshipment to Scandinavian ports and also to Holland. To a great extent these goods have been in New York for a long time, for the reason that our forwarding agents, Messrs. C. B. Richards & Company, could not get any space. It seems that whenever the Scandinavian-American line are asking higher freight rates, other lines do so, too, and now even the Holland-American line is asking 100 shillings for 2240 pounds, while only a few days ago this company asked 45 shillings for 2240 pounds. These advances in freight rates are made without notice, and even previous engagements have not been protected. So that the shippers, instead of making a small profit on their sales to European countries, are losing money."

ABNORMAL FREIGHT RATES

And yet I have heard it seriously contended, although I know I need not discuss such a proposition with intelligent American business men, that freight rates, ocean transportation rates, do not make any difference to our business men, because the man on the other side pays it. There is not a man within the sound of my voice who has anything to do with business who does not know that the cost of transportation is an elemental and serious factor in every business transaction, involving the shipment or movement of goods.

William Haas & Sons, manufacturers and exporters of "D" shovel handles, Houston Heights, Tex., December 28, 1914:

"For years our entire output has been disposed of abroad, but owing to the present prohibitive tariffs in ocean transportation we are unable to deliver our goods, consequently our plant will remain closed down until such rates are established as will enable us to market our goods. * * * In our judgment a Government merchant marine will solve the problem."

Charles E. Moore, president, Leaf Tobacco Association, Baltimore, Md., December 28, 1914:

"* * * I desire to file with your department an urgent protest against the unwarranted advance in freight rates on tobacco as recently established by the Holland American Line. Some of our exporting members shipping to Holland points have signed contracts with this company, expiring December 31, 1914, for a rate of \$3.50 per hoghead of tobacco. This contract has been disregarded entirely and the rate increased first to \$5.25, then to \$6.85, and to-day a notice that it will be \$7.50 until further notice. This, I repeat, in the face of the written contract for \$3.50 per hoghead."

Gano, Moore & Co., coal, coke, iron, steel ores, Philadelphia, Pa., December 28, 1914:

"The shortage of vessels is so serious now that it is practically stopping the exportation of coal. We have several orders for coal, principally to South American ports, and it is impossible to secure vessels."

American Tripoli Co., "Tripoli" flour, Seneca, Mo., December 28, 1914:

"We have an offer of some orders from Barcelona, Spain, and the first two of the attached letters refer to our effort to get quoted us a rate from New Orleans to Barcelona; and you will see that the steamship company operating steamers to Barcelona refuse to quote rates at all. In the first letter the reason given was that other commodities which permit of a higher rate are being carried, so that our material, which must have a lower rate, is not at all desirable, and they even refuse to quote rates at all. * * * The fourth letter, dated December 18, quotes us a rate of 49 cents per 100 pounds from New Orleans to Havre, France, and for comparison, will say that just previous to the European war, on July 3, 1914, we made a shipment at the rate of 18 cents per 100 pounds, a little more than one-third of the rate now

asked. This high rate is, of course, prohibitive on a commodity such as ours."

M. B. Nelson, general sales manager the Long-Bell Lumber Co., Kansas City, Mo., December 29, 1914:

"I enclose a quotation from ship brokers issued under date of December 26, showing rates have advanced more than 300 per cent. * * * We now have in pile at port a little over 9,000,000 feet of lumber, or an approximate value of \$280,000, all of which is deteriorating and could be disposed of if shipping facilities would permit.

"There are many others in the same condition as ourselves, and we sincerely hope you can do something to relieve the situation."

Panama Railroad Co., January 15, 1915:

"Our stock (of coal) has been reduced from 90,000 to 40,000 tons, and both the Earn Line and our company are scouring the charter market in the effort to secure sufficient tonnage to carry to the Isthmus the amount of coal it is imperative we should keep there."

Gentlemen, there are something like 75 letters of a similar character in this pamphlet. I do not want to take your time to read them. I wish, indeed, that a copy of this document might be put in the hands of every delegate here, and, if it would not be violating the rules of the Chamber, I should like very much to have permission to send, for distribution among the members of this Convention, copies of this report, which has been printed and issued as a public document by the Senate. It is entitled Senate Document 673, Part 2, Increased Ocean Transportation Rates.

Now, as to the effect of these rates. I should like to summarize them very briefly from this report.

SUMMARY OF THE MOST STRIKING INCREASES

From the foregoing tables it will be observed that ocean freight rates on grain from New York to Rotterdam have been increased since the outbreak of the war 900 per cent; on flour 500 per cent; on cotton 700 per cent.

From New York to Liverpool the rates on the same commodities have increased from 300 to 500 per cent.

From Baltimore to European ports (excepting German) rates have been increased on grain 900 per cent; on flour 364 per cent; on cotton 614 per cent.

From Norfolk to Liverpool rates on grain have been increased from 157 to 200 per cent; on cotton 186 per cent.

From Norfolk to Rotterdam the rates on cotton have been increased 471 per cent; to Bremen the rates have increased on cotton 1,100 per cent, namely, from \$1.25 per bale to \$15 per bale.

From Savannah to Liverpool the rates have been increased on cotton 250 per cent; to Bremen the rates have been increased on cotton 900 per cent.

From Galveston to Liverpool the rates have been increased on grain 174 per cent; on cotton 361 per cent; to Bremen the rates have been increased on cotton 1,061 to 1,150 per cent.

Since this report was written, gentlemen, freight rates have in many instances been still further increased. Now, it is stated that marine insurance and war risk insurance have added very greatly to these costs. Let me say to you that the marine insurance rates have been increased one-eighth of one per cent only since the war broke out, while war risk insurance rates have been very much reduced. The war risk insurance rate to Liverpool is only 2 per cent and to Bremen it is only 3 per cent, made so by the Government of the United States, and if the Government of the United States was not today in this privatest kind of private war risk insurance business, gentlemen, the rates of war risk insurance would be prohibitive and they might be stopping American ships altogether; and yet in the face of these uncontroverted facts and with the situation growing more acute every day we stand here and talk, and talk while American interests are being put daily into greater jeopardy, because some people prefer to be bound by a hoary dogma than to have the Government protect its own citizens and the business men and producers of this country by doing for them what private capital refuses to do.

Now, gentlemen, I had hoped very much when the shipping question came up that it would not be treated as a partisan question. There is nothing that I deplore more than the fact that this question has, by the action of our politicians—and I use the term not in disrespect, but because it is descriptive—I deeply regret that our politicians have succeeded in making this a partisan question, because it is not a partisan question and no man in this hall and no impartial American mind interested in the welfare of this country ought to be influenced by partisan considerations in passing a deliberative judgment upon it. To show you that it is not a partisan question and has never been a partisan question, I want to read you what the Democratic and Republican and Progressive platforms said on this question in 1912.

DECLARATIONS IN PARTY PLATFORMS

The Democratic National Platform of 1912 said:

"We believe in fostering, by constitutional regulation of commerce, the growth of the merchant marine which shall develop and strengthen the commercial ties which bind us to our sister republics of the south, but without imposing additional burdens upon the people, and without bounties or subsidies from the public treasury."

The Democratic party made similar declarations in 1880, 1884, 1904, and 1908; in other words since 1880 down to the present time it has declared in favor of an American merchant marine. But the party has always stood against subsidies, and that is a very important point to remember in this discussion, because it has a material bearing upon the possibility of getting any remedy whatever for existing conditions.

The Republican party said in 1912:

"We believe that one of the country's most urgent needs is a revived merchant marine."

But I judge, from what is happening up there on the hill, that they have not read this platform lately.

"There should be American ships, and plenty of them."

They are not satisfied with American ships; they want plenty of them.

"To make use of the great American oceanic canal now nearing completion."

They have reiterated those declarations for the last thirty years.

The Progressive party, while it did not come out specifically for a merchant marine in express terms, had this to say:

"The time has come when the Federal Government should cooperate with manufacturers and producers in extending our foreign commerce."

That is one thing in the Progressive platform that I thoroughly approve.

"To this end we demand adequate appropriations by Congress and the appointment of diplomatic and consular officers solely with a view to their special fitness and worth, and not in consideration of political expediency. It is imperative to the welfare of our people that we enlarge and extend our foreign commerce. We are preeminently fitted to do this because, as a people, we have developed high skill in the art of manufacturing; our business men are strong executives and strong organizers. In every way possible our Federal Government should cooperate in this important matter."

I want to read you now just one more section from the Republican platform of 1900. Here is what they said:

"Our present dependence upon foreign shipping for nine-tenths of our foreign carrying trade is a great loss to the industry of this country."

They admitted it was a great loss to the industry of this country.

"It is also a serious danger to our trade."

Mind you, this was 14 years ago. This fellow had sense.

"It is also a serious danger to our trade, for its sudden withdrawal in the event of European war would seriously cripple our expanding foreign commerce. The national defense and naval efficiency of this country, moreover, supply a compelling reason for legislation which will enable us to recover our former place among the trade carrying fleets of the world."

OPPORTUNITY HAS BEEN NEGLECTED

Now, gentlemen, that is a singularly distinct and a singularly prophetic declaration in that platform of one of our political parties—the platform of the party which was then dominant in this country and had control in 1900. Yes, sir; they had control of both branches of the Congress, if I am not mistaken, Senator (addressing Senator Burton), and they were in position to legislate upon this important question.

Did they do anything? If so, I have not heard of it. And if they had carried out that statesmanlike utterance—and I am liberal enough always to give my political opponents, even, credit—if they had carried out that really statesmanlike utterance—because the man who wrote that had the vision of a seer and the imagination of a statesman—if they had carried that out, I venture to say that American commerce, American foreign trade, would be double what it is today.

Of course, that is an opinion; I cannot prove it; but I am just as satisfied as I am that I am talking here that that would have been the result, and I say that it would have paid the American people to have contributed any reasonable amount for that purpose.

That brings us back to the question of subsidy. The Republican party favored a subsidy. Why did they not give us a subsidy? Why did they not do it? They had the power to do it. For 14 years, gentlemen, since that declaration was made, we have sat like knots on a log and done nothing.

When you have an administration that is willing to do something for the American business man are you going to support it or are you not?

DUTY OF THE GOVERNMENT

I am not wedded to Government ownership and operation of anything. I do not want to see the American Government engaged in any activity where private capital, upon reasonable terms, will come in, but I am opposed to the American Government sitting still in the face of an acute crisis when our vital interests are at stake, and waiting for the benevolence of private capital to come in and rescue us from a critical situation, when, for more than fifty years, private capital has refused to do anything to relieve the situation.

When I think of this shipping business and of the claim of private capital to further consideration, it reminds me very much of that famous colloquy between Weber and Fields in New York some years ago. Fields proposed to Weber—who was always the goat—that they organize a "Skindicate." Mind you a "skindicate"—to go into the shipping business. After some parley Weber said, "Vell, where do I come in?" Fields said, "Vell, I furnish ze ocean and you furnish ze ships."

Private capital has furnished the ocean for fifty years, but who has furnished the ships? Our foreign competitors, who master the seas and who today have the entire power to destroy American commerce or to retard it, as they see fit, because they can lift the rates over night and there is no power to control them—and they are doing it over night and putting them at such prohibitive figures that they can stop any export they want to from this country today! And we sit here and gabble about whether the Government shall or shall not come in and relieve the situation.

Eleven hundred per cent! Why, even a banker would call that excessive. And they put that on cotton, when the poor people in the South are groaning and grinding under the load that was saddled on them by the first cannon shot that echoed throughout Europe;

and we sit here and talk about the Government not coming to the front and doing something to relieve the situation.

What is Government for? Is it something in a strait-jacket? Is it sitting in a corner like a concrete thing with palsied hands, afraid to act, or is it something vital? Is it a flexible instrument in the hands of the people of this country to be used, within constitutional limitations, for their relief and benefit? Is it intended to be something to act in this emergency, something to come to the front and do things for the American people when private capital cannot be commanded or commandeered or persuaded for that purpose? Why, my friends, it does not seem to me that there is room for argument. This shipping bill seems to be a matter of such vital consequence to somebody—I am not questioning motives, gentlemen, and I do not want you to understand me as indulging in innuendo, because I do not; I impute no motives to anyone; I do not believe in winning that way. I would not get a vote out of this Chamber in favor of this bill by an argument that I felt would be demeaning to myself or to the Government, but I do want to say with all the sincerity that I can command, that for some reason, somebody is more concerned about the Government not relieving this situation than they have been about anything that has come before the American people within my lifetime or within my knowledge, except the currency bill.

THE CURRENCY BILL AN EXAMPLE

Now, I want to say this about the currency bill, and it is very apropos. We talked about a revision of the currency for something like 30 or 40 years. In the meantime we sat still and did nothing. We literally did nothing except talk. While we talked we paid the penalty in untold millions of loss, in panic after panic, for our stupidity and our lack of courage. Finally this administration took hold of the currency question. The section of the country today that is most opposed to this shipping bill was most opposed to the currency bill. I believe it was because they did not understand the measure. They did not know what the currency bill meant, and we had to fight every night and day for nearly six months—continuous fighting—to get the Federal Reserve Act passed; and I want to read you just one little paragraph in connection with the Federal Reserve Act from a speech which was made in Congress about a month before it was passed. (After glancing at speech referred to.) Why, this was made only ten days before it passed. Here is what was said:

"I say that this bill presents a financial heresy twice repudiated by the people of the United States. I say that the Central Reserve Board appointed under this bill will have to represent that very heresy. If this bill passes as it stands, America stands to lose all she saved when Grant vetoed the inflation bill, all we saved when Grover Cleveland abolished the silver purchase, all we saved when we elected McKinley, all the Republicans and all the gold Democrats saved when they helped in the repudiation of the vital principle which has been put into this bill."

That rather startling declaration had relation to the character of the Federal Reserve notes, and the earnest and solemn statement made with impressive warning to the people of America in this very speech was that the Federal Reserve notes were fiat money or greenbacks! And yet there is nothing in this country, not even a government bond—I say it advisedly because I know; this is one thing I really know—that even a Government bond is not as secure as a Federal Reserve note. It has not got as large assets back of it; no Government bond has. And yet this gentleman solemnly warned the American people that these notes were greenbacks and that they were going to repeat the very financial heresy which for years had been prevented from being grafted upon the people of this country.

Who do you suppose made that speech? One of the most distinguished men in the Republican party—a man for whose ability and intelligence I have the greatest respect. That man was the senior Senator from the State of New York—Senator Elihu Root; and that is what he said about the currency bill ten days before it was enacted into law.

EFFICIENCY OF FEDERAL RESERVE SYSTEM

I want to read you, gentlemen, what I happened to see the other day in a paper that I read every once in a while, to see if I am getting too progressive—because this paper is so reactionary that it is enough to pull a fellow into a hole if he will read it long enough. Here is a paper that fought the Federal Reserve act from A to Izzard—one of many. I am told that the sentiment against the shipping bill in the City of New York and in the City of Boston is unanimous. It does not surprise me. The sentiment in each of those cities was similarly unanimous against the Federal Reserve act. It is due to the fact—

I say, I am told so. I am glad to hear you deny it, gentlemen, because I got this from some politician or some newspaper, and whenever a politician or a newspaper tells me anything I am inclined to believe it! I am glad to hear that it is not accurate.

Here is what this paper said the other day—the Federal Reserve banks had been in operation for only two months—and here is what it said:

"The Federal Reserve Bank is the reliance of the present"—my goodness, what has happened to this fellow?—"and the promise of the future."

Think of it! In a year, absolutely turned around, admitting that the administration knew what it was doing when it passed the Federal Reserve act. He says:

"It is the promise of the future, as the clearing house was in the past."

The clearing house does not come within a mile of the Federal Reserve act.

"Its first report is the starting point of a new banking dispensation, in which panics are to be prevented rather than cured. In some respects the Federal Reserve system is the enactment of the clearing house system."

Of course, they do not like to say unreservedly that they did not make a great impression upon the character of this bill, and therefore they want to tell us it is rather a beautified clearing house system; but it is deeper than that.

I will not read any more of that. It is significant of the change of opinion that has come over the country since that act was passed; and yet, my friends, let me say to you that if that act had not been passed and nothing had been done with our currency system—and I speak somewhat advisedly, because I think there has not been a minute of the time since that fateful day in July last when the first declaration of war was made in Europe to the present time, when the great department over which I have the honor to preside has not had to be intimately in touch with every part of financial business in this country—I say to you advisedly that if it had not been for that great measure, that great constructive measure, the Aldrich-Vreeland bill, even as modified by that act, would not have saved this situation, and there is no telling what penalty the American people would be paying today for the neglect of the American Congress to give them that very vital and necessary measure of protection. I violate no confidence, gentlemen, when I say that if it had not been for President Wilson standing almost single-handed and alone against the advice of many strong and influential men in this country, who earnestly and honestly believed, as a matter of judgment, that the Congress ought not to adjourn after the passage of the tariff law, this act might not have been upon the statute books even by this time. But it was because, with that singular prescience of his, a singular power, a wise divination, so to speak, he insisted that the Congress remain in session until action was taken upon a measure which was absolutely vital to the business interests of the people of this country, that this great law was passed.

PROTECTION AGAINST CHANCES OF WAR

My friends, am I unreasonable when I say to you that the gentlemen who are so strenuously opposing this shipping bill may be similarly mistaken? The opposition comes from the same interests that denounced the Currency Act. What possible harm can come to you business men—I want somebody to answer this—what possible harm can come to you business men if the Government steps in in this emergency to relieve the situation, to protect you against the eventualities of war, to save your commerce and your business, because I tell you now and I make the prediction with confidence that if this bill is not passed there is not a man in this audience who will not rise up and denounce himself inside of twelve months because he would not allow us to do the things that were necessary to save him.

What carries your commerce today? What is the protection of American commerce today? It is the flag of one nation—a nation involved in war, at that—the British flag. That is the only thing that stands between you and complete cessation of your export and import trade. I mean almost complete cessation, because more than 50 per cent of the bottoms in service today upon the seas sail under the English flag. Once you put that flag in more serious jeopardy than it is today, what is going to happen to you? What will happen to you? You may have a complete cessation of your export trade. Do you know what that means? It means disaster throughout this country; it means absolute disaster, because if you are deprived of the opportunity of selling your surplus at reasonable or profitable prices, what are you going to have at home? Simply panic and disaster and trouble. Yet, when the sure salvation of your situation is to let the Government come in and do this thing in your interests, you hesitate!

Since I have come to Washington there is one word in the English language with which I have become more familiar than any other, because it is the one word that is used most. I say that advisedly. I use it myself too much, and every time I use it I get ashamed of myself. You can talk to any man about anything and the first thing he says is "I am afraid of so and so and so and so." He is afraid of something! Where is the courage of the American nation? Where is that virile power that has made this American nation great? Has it disappeared? I do not believe it. We are not afraid of anything, my friends, so long as we walk the path of rectitude and justice as a nation, and we intend to do that; and if this shipping bill passes all this talk about getting into international difficulties is mere twaddle—why, my friends, there is no more danger of getting into international difficulties, if this bill is passed, than there is that I will pick up the Washington monument and walk across the Potomac River with it. Let's get rid of this boggy now and forever. The American Government is going to stand upon its plain rights, which are the rights of justice and neutrality, and if there is a man in the United States of America who is a firmer friend of peace or who has stood more strongly and courageously for it than the President of the United States, I would like to be introduced to him.

INTERNATIONAL RELATIONS UNAFFECTED

Now, gentlemen, on the question of international relations I wish to say this: I do not know of any protests that have been filed by any foreign government against this shipping bill. This is a matter of domestic concern, in which no foreign nation has the right to say one word. This is a matter of policy for this country alone to determine. The execution of that policy is another question. The execution of that policy means that we have to observe the rules of international law and the conditions of neutrality. That being done, nobody can complain. Can this nation ever surrender to anybody the power to protect itself and its own citizens? Who proposes that—who means it seriously? I do not believe that any man could mean any such thing seriously; and yet there are speeches in Congress where it has been seriously suggested.

Why, the historic position that this country has taken ever since its existence is in favor of the right to do the very things that we are attempting in this shipping bill. But if anybody is sensitive about the exercise of that right, let me call his attention to one or two things

that have been done. Shortly after the war began, recognizing the serious and grave situation that confronted this country, because of the paralysis of shipping and the complete disorganization of international credits, the Secretary of the Treasury on the 7th day of August, three days after the first serious effects of the involvement of all of these nations in war had become apparent, issued a call to the country asking for the cooperation of the responsible bankers and business men and shipping men in an effort to accomplish two things; first, to restore our shipping so that grain which was piled up in every port on the Atlantic and Gulf seaboard could be moved, and second, to reestablish foreign exchange upon a normal basis. In response to that call, gentlemen came to the Treasury Department representing in the highest degree the business interests of this country. I wish I had time to read all their names to you, but I am obliged to read just a few. Among them were Mr. J. A. Farrell, of New York, and Mr. P. A. Franklin, of New York. Mr. Farrell is the president of the United States Steel Corporation. Mr. Franklin is the vice-president of the International Merchantile Marine Company. Mr. Bernard Baker, of Baltimore, well known in the shipping world, a gentleman who has no interests of any kind in the shipping business, and who is interested in this great question purely as an American citizen, and who knows the vitality of the question and the necessity of acting promptly upon it, was also present; as were also Mr. Robert Dollar of San Francisco, Mr. Hemphill of New York; and many other prominent men, including President Fahey of Boston, who is now the President of this Chamber of Commerce of the United States.

ADVICE OF BUSINESS MEN

Now, gentlemen, that conference passed several resolutions. I am going to read you two that have a bearing on this question:

"Resolved, that this Conference urge the United States Government to establish a bureau of war risk insurance to be administered under the direction of a suitable Government department by a board of three or five members which shall assume the risks of war on American vessels and American cargoes shipped or to be shipped therein whenever, in the judgment of the Board, it shall appear that American vessels or shippers in American vessels are unable in any particular trade to compete on equal terms with the vessels or shippers of other nationalities by reason of the protection offered such other carriers or shippers by arrangements for indemnity through their governments; and that such Board have power to fix rates of premium."

That resulted in the enactment of the war risk insurance measure to which I have already referred.

"Resolved, that the present opportunity to extend American foreign trade and the opportunity now to begin the creation of a mercantile marine under the United States flag is so great that this Conference appeals to Congress by immediate and effective legislation and by necessary changes in our navigation laws to make it possible for our citizens, without discrimination, to buy and operate ships under American registry in foreign trade on equal competitive terms with all other maritime nations."

Those were significant declarations by men prominent in the business and banking world, most of them not democrats in politics—men willing to put aside partisan considerations and come here to Washington and ask this Government to go first into private business for the purpose of protecting the shippers of this country because war risk insurance in times like these is just as essential a part of the shipping business as the steel plates in the hull of the vessel, and no vessel will go to sea without war risk insurance any more than it would go to sea without a crew. And here they ask this Government to go into private business to protect the American business man. When that matter came before Congress it was voted for by Democrats and Republicans alike. It was passed by a yea and nay vote in the Senate, and the distinguished Senator from Ohio is one of the men who voted for it, or, at least, he is not recorded against it. There was opposition in the House led by Mr. Mann, the Republican leader, but the measure was overwhelmingly passed and a day or two after that the War Risk Bureau was started. It was made a bureau of the Treasury Department and is actually doing business in insuring American ships.

GOVERNMENT OPERATION

Now, they say that the Government cannot conduct any business without a loss of efficiency, and without extremely great expense. Let me call your attention, gentlemen, to what has happened in the war risk business. Now this is mighty private business. It collides with other people who are in the war risk insurance business. But it was justified. It was the right thing to do. They may say, "Well, that was only a temporary measure, because it has to expire with the war." Of course it has to expire with the war. What is war risk insurance for except for use while the war is in progress, but the principle is the same.

We have issued up to February 2, 1915—the Bureau went into operation on September 2—nearly \$48,000,000 of insurance upon American ships and cargoes, and we have kept the rates down. The premiums we have received to date in actual money paid into the Treasury of the United States amount to \$1,250,000. Earned premiums to date on expired risks are \$397,897, and we have not made a loss yet.

Now, gentlemen, suppose we had said, "Oh, well, we will reject this; we can't afford to have the Government engaged in private business," just as they are saying about the shipping bill: "You are bound to run this thing at a loss. You will involve the American people in a loss." Suppose we had done that. Where would we be today? I hesitate to tell you what would have happened to the commerce of America if this had not been done. What do you suppose it has cost us to run the bureau up to this time? Mind you, we have taken in \$397,987. You would think \$50,000 very reasonable for handling the bureau during that time, wouldn't you? It has cost us exactly \$6,449.68 to do the business.

Did we put any conditions in the war risk insurance bill that we must not issue an insurance policy on an American vessel unless we had the consent of some other power? Not a bit of it. It is our business. We have a right to do this thing. But they say, "If you are going into the ship business, you will get us into trouble."

My friends, when the Government of the United States insures the cargo and the hull of a vessel, a policy is issued under the seal of this Government, and signed by its responsible executive officer, insuring that cargo, and when a vessel and cargo are seized and taken into a prize court, this Government has a direct interest in the issue. We insure as much as a million dollars upon any one hull and cargo. Suppose a vessel is seized, as I said before. A million dollars is the equivalent of four good tramp steamships. You could buy four good tramp steamers for a million dollars. So we have, analogously, four ships under this flag belonging to this Government in a prize court in a foreign country. Are we afraid of it? Certainly not. When the Government goes into the war risk insurance business it goes in as any citizen would go in. It divests itself, to a certain extent, of its sovereignty, because it is engaging in private business; and that is one of the most extreme cases I could cite where a government has directly gone into a business which might involve it in such complications as these gentlemen fear. But it has no elements of danger, because we expect those cases to be determined in the same way as if they affected any citizen of the world, by the decision of a just prize court, and we cannot complain as long as we get justice—and that, of course, we will get.

SHIP REGISTRY BILL

We passed a ship registry bill. There is a lot of cry about free ships. They say, "Just give us free ships; that is the remedy." Do you know that you have had free ships since 1912? What effect has the ship registry bill had on our commerce? Nothing; literally nothing.

Do you know that under the Panama Canal Act you get "free ships," and that everything that enters into the furnishing of a ship is "free?" And yet American capital has not come forward to do anything. "Do you know why? The Chamber of Commerce of New York made a report by their experts—I know they are experts, because they say so over their own signatures. They made a report in which they said it cost from five to ten per cent more only, not forty or fifty per cent, as is commonly understood and alleged as a reason for giving a subsidy to American ships. They said it cost from five to ten per cent more only to operate an American ship as against a foreign ship. You can buy them free in the markets of world today, and operate them in our commerce, except in our coastwise trade. You can buy a ship anywhere and do it.

When this war broke out a number of American citizens had ships, which they were operating under the British or some other flag—mostly under the British flag. They were anxious to have the law changed to such an extent that those ships could be transferred or that they could buy ships and transfer them to American registry, and they asked us to support such a measure. We did support it, and the distinguished Senator from Ohio, if I am not mistaken, voted for it, and Senator Root voted for it and nearly every Republican in Congress voted for that measure which went promptly upon the statute books. These American shipowners did not want to transfer their ships from a belligerent flag to the American flag because they loved our flag; they transferred them because it saved them from possible capture by hostile cruisers. It may cost them a little more to operate them under the American flag, but they pay this for safety—for insurance.

When we passed that law we put it in the hands of any American citizen to buy a ship of any belligerent flag and transfer it to American registry. We have given any citizen the power—a power that our opponents now hesitate to give to the President of the United States, who has not a motive on earth except to serve you and to keep this country out of trouble—we have given to any citizen a power that these gentlemen are unwilling to accord to the President of the United States under this shipping bill.

You know that individuals, for self interest or for some other reason, may collusively or in bad faith transfer a ship. They may transfer it to our registry for some purpose that is not square, that is not fair, and if they did, the American Government has got to come to the front and make diplomatic representations in order to protect the man who does that, because his ship, which we permitted to come under American registry, flies our flag. We have got to make representations. So far as that transfer is bona fide, it is recognized in international law as being a proper transfer. The burden of proof rests upon the man who effectuates that transfer to show in a prize court that it was bona fide. But the Government of the United States would have to intervene through diplomatic channels in each of such cases and see that its citizen, and the ships under its flag, got justice in that prize court.

RESPONSIBILITY OF SHIPPING BOARD

My friends, when the Republicans in Congress and the Democrats in Congress and the Progressives in Congress voted for this ship registry bill, did they attach any condition to it that no American citizen or other person should transfer a vessel bearing the flag of a belligerent to American registry, unless we first got the consent of some foreign government? No, sir. And yet in the shipping bill, where we confer upon the President of the United States the power to determine whether any ship bearing a belligerent flag shall be bought, they say they are so afraid that he will do something to involve us in international difficulties that they cannot trust him. They would rather surrender the vital American right to protect our own people than to trust the President of the United States, although they are willing to trust an individual.

I speak with some diffidence about the President of the United States, gentlemen; I speak with diffidence because I have recently had the great rare fortune to become a member of his family, and I would not speak of him today if it were not well known that the views I now express of him I entertained for years before I ever had any thought that any such great good could come to me. There is no man, if that power is entrusted to him, who will exercise it more wisely, who will exercise it more justly, who will exercise it with greater regard to the rights of every belligerent nation, and every neutral nation, who will exercise it with greater fidelity to the interests of the people of this country and to the business men, the farmers, and producers of this country, than the President of the United States. Can you trust him? Can you trust him in this shipping bill?

Gentlemen, there is not an act that this shipping board can commit without the approval of the President of the United States; and more than that, let me say to you that when you talk about limiting or restricting the powers of the President of the United States with a view to preventing him from doing something that might imperil the peace of this country, let me ask you what you mean by conferring upon him the supreme powers of commander in chief of the army and navy of this nation, when, without consulting anybody, if he were not wise and prudent and just and honorable and peaceful, he could plunge this country into war in five minutes, and you could not say a word, and yet you hesitate to trust him to buy a few paltry ships for the protection of American commerce. It is not worthy of consideration.

I want to call your attention to this fact. We all admit the necessity and we admit the opportunity. The report of the Chamber of Commerce of the City of New York admits the necessity and the opportunity. The report of your own Chamber admits the necessity and the opportunity—the necessity for dealing with the emergency in the first place and the opportunity for extending our trade in the second place. To the south of us lies the great southern continent, seeking to establish trade relations with us; seeking to strengthen our social relationship; seeking to extend its financial relationships, in this country, and depending absolutely and wholly upon the transportation to bring about those great results.

TRANSPORTATION AND BANKING

If we do not give them transportation, gentlemen, what is the use of establishing branch banks in South America, and expecting them to compete with English banks or German banks or any other banks? What is the use of our merchants trying to do business in that country if they have not transportation? They must not only have transportation which will put them upon a parity with other nations in the matter of rates and quality of service, but also in the matter of time, because time is of the very essence of trade and commerce. You cannot do business on a freight train when your competitor does it by express. If he does it by express, you have got to use the express or get out of the field. Is that not true? I ask you as business men if that is not true. South America does business with Europe on an express basis, while we do little business on any basis with South America.

I am afraid I am exceeding my time very much, Mr. President, but I beg your indulgence for a moment or two more. I want to tell you what the Ambassador of one of the greatest nations of South America said not long ago in a speech at Boston, Dr. Naon, a most able and distinguished diplomat, and one of the most progressive men from his own great southern continent. He said:

"Let us see, now, what practical method could be adopted for supplying these needs and increasing the amount of our international commerce. There can surely be no better authority in this regard than the official word of the Argentine Government as cabled some days ago to him who has the honor of addressing you at this moment. In this cablegram my government says, in brief:

"Our products are being exported without increased difficulties, but a scarcity of bottoms is foreseen in the near future for the transportation of our products."

This speech was made last December. He continues:

"A very efficient means of overcoming the difficulty would be if vessels were to come from that country with the usual cargoes, namely, unrefined naphtha, woods, iron, machinery, and other agricultural implements, petroleum, furniture, lubricating oils, typewriters, machines, etc. These vessels would return with our products, such as refrigerated meats, wool, hides, quebracho, tannin, live stock, etc. American manufacturers could step into the place left by European industries, in all branches formerly supplied by them, such as coal (Argentina depends wholly upon the imports of coal), steel rails, galvanized iron, wooden goods, pig and sheet iron, machinery in general, cement, locomotives, railroad cars, refined sugar, automobiles, galvanized iron or steel wire, rail joints, sheet zinc, cotton fabrics, printing paper, electric wire and cles, woolen clothing, etc. The present moment offers to manufacturers of cables, iron pipes of all kinds, manufactures of iron and steel, household articles such articles most advantageous opportunities for openings, taking advantage of the shutting down of the European markets."

Then he goes on to speak of the difficulty of securing vessels, and he even goes so far as to say that the Argentine Government itself would be willing to cooperate with this Government in the establishment of suitable steamship lines to take this trade. He goes on to say that there are one hundred million dollars of trade in Argentina seeking American treatment, and yet we are hesitating to do the thing that is necessary to make it possible for us to take it; and not only to take it but to keep it.

GOVERNMENT OPERATED STEAMSHIPS

Let me call your attention to the fact that the Panama Railroad and Steamship line has been operated for 12 years by this Government under the supervision of the War Department. Here is a private corporation engaged in the steamship business and railroad business, the steamships running from the city of New York to the Isthmus and running at a profit, and as well handled as any steamship company in this country or anywhere else, for that matter. The Panama Railroad and Steamship Company is a private corporation, of

which the Government owns the stock. The Government owns every share of that stock. Its directors are chosen by the Government. It is operated under the supervision of the War Department. The War Department does not make the rates on the Panama steamships. The War Department does not handle the details of operation. It selects a competent board of directors, such as any other private corporation has, and that board of directors selects experts to operate those ships, and they have been successfully operated for 12 years under the supervision of the War Department. We were put into that private steamship business by the Republican party, and it is to their credit, and I give them credit for it, because it was a necessary and a desirable thing to do, both in the interest of American business and in the interest of the construction of the Panama Canal. The Canal has been completed. What are you going to do with those ships? Are you going to give them away? Are you going to require the Panama Railroad Company, by act of the Congress, to turn those ships over to the War Department or the Navy Department to be used solely as reserves, at great expense to this Government, instead of keeping them occupied in trade, as every other intelligent nation does, so that they will not be an expense to the Government, but a profit, and so that we may have them ready for use as naval auxiliaries in time of war? Or are you going to say, "No, we cannot stay in this private business. It offends our every sentiment as the proper agency of government. We are going to get rid of this thing at any cost, and get back to our hoary dogma and hug it to death."

My friends, where have American intelligence and courage gone? Have they deserted us? I do not believe it. We want to deal with these questions as practical and courageous men. We have to keep that steamship line going. Whether we pass this shipping bill or not, it must continue to be operated in the interest of American commerce throughout Central and South America. The rates of freight have always been reasonable, and I will venture to say that during this period, when extortion has been practiced with a high hand upon American commerce, the Panama Steamship Company has not raised a single rate an iota of a cent.

OTHER GOVERNMENT ENTERPRISES

We have been in private business in a great many directions. We have recently passed the Alaskan bill to build a railroad in Alaska. Why did we do that? Because private capital will not develop that great territory, a territory whose development is necessary in the interest of the commerce of this great country. We are more justified in going into a territory for a development of this kind than into a state, because the territory is the common property of the people of the United States and it is essentially a national function that we should develop it, if we cannot get private capital to do it upon reasonable terms.

You have to make up your minds to one of two things. You either have to let the Government organize this shipping corporation and let it take care of American commerce and protect you, or do nothing to protect the commerce you now have. Recently German submarines have appeared in the English Channel, and even off the coast of Ireland, sinking British merchantmen, in which your cargoes are being carried, and that menace is likely to continue longer and grow more dangerous. The only protection to your commerce is to put the American flag upon these ships.

You have either to adopt this shipping bill or you can do nothing except sit still and submit to robbery and the jeopardy of war. Which will you choose? The Democratic party cannot under its platform adopt any plan involving a subsidy. It is useless to talk about it. You could not get within a thousand miles of a bill that contained a subsidy, so far as the Democratic party is concerned, and as it has power in both branches of Congress, the only alternative is to continue your commerce under foreign flags, subject to all of the incidents and hazards of war, or to adopt this bill.

ALTERNATIVE PROPOSALS

Your committee makes a suggestion to the dangers of which I wish to call your attention. They propose that a Federal shipping board be organized; we do it under this bill. They propose that our navigation laws and regulations be altered; the bill provides for that. However, the point of difference is that they propose that the Government shall organize a marine development company in which the Government shall be the sole stockholder and that this marine development company shall engage in the business of guaranteeing mortgages issued by private corporations; and this same suggestion emanates from the City of New York. My friends, where are we going? Whither are we tending? A proposition of that character from the City of New York! The mortgage companies in the City of New York, the private business of guaranteeing the mortgages of corporations or of individuals upon real estate or anything else, you propose to put the Government into competition with, in the most private kind of private business. You also ask us under this plan to have the Government make direct loans to shipping corporations or shipping firms. Do you know what that means? It means that the Government must lend money direct to anybody. There never was a more dangerous experiment or expedient on the face of the earth that could be adopted, and I do not believe any American business man or any intelligent American, if he will study the question for 15 minutes, will stand for it a single second.

Last fall, when the conditions in the south were so grave and so serious, the price of cotton was down to five cents a pound, and a great disaster confronted the Southern people, we were asked to sanction the issue of \$250,000,000 of greenbacks or the sale of \$250,000,000 of Government bonds, to put that money into the treasury of this

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The Opposition and the Shipping Bill

(Continued from page 12)

But when I name all these I have not named that which is at present the most decisive in the situation; that is, the delay in foreign ports.

FOREIGN PORTS CONGESTED

As a man said a few days ago—and I am not sure but that he was pretty nearly right—more ships would add to the congestion, for they are all in each other's way in foreign ports. Let me give you a few illustrations. Not very long ago an American boat was chartered to carry horses to a port in France. It had additional cargo capacity of 8,000 tons, dead weight, but the owners learned that in the port to which they were going there had been a delay of sixty days in loading and unloading. What did they do? They went from this country to France without filling a foot of the space, rather than to take the risk of delay and detention. Delay and detention are not limited to the ports of countries at war. It is just as bad at Genoa as anywhere, where a few days ago thirty ships were waiting in vain to be unloaded. It is a marked factor at Liverpool and at London; perhaps not so large in the German ports, if you can reach them, but generally in all European ports, and the cause of it is perfectly obvious. Government ships and other ships gather in the harbor. The Government claims for its military purpose the first use of the quays and docks. The men who would be engaged in loading and unloading have gone to the war. The men who would be making necessary repairs have gone to the war, and thus it is necessary to wait twenty or thirty or forty or sixty days before a boat can be unloaded.

On this subject I want to read very briefly from a report by Norman Hill made on the 12th of January last. I think there is no one who is a higher authority in England in regard to shipping. He says:

"There is nothing in any of the above figures to account for the congestion of the ports in which fewer vessels have been available, and there has probably been as great a fall in the volume of the trade carried. The tonnage remaining available has been sufficient to carry the cargoes offering, for cargoes have not had to be shut out; although in the trade of the United Kingdom the amount carried in each of our ships has not substantially increased the time employed in the discharge has increased most seriously. In London and Liverpool vessels have to wait for days for discharging berths, and when they can obtain berths the discharge is hampered and delayed by the block on the quays and on the railways. It is clear, therefore, that the causes of the congestion must be other than the one of ships or the one of quay space. The main cause is beyond question the shortage of labor."

And that applies in an even greater degree in the countries more affected by the war than Great Britain where in a great degree industrial and commercial activities have gone on as heretofore.

Where are you going to get your ships? My good friend Mr. Baker, who has been quoted by the distinguished Secretary of the Treasury, says that there are not more than ten ships available under neutral flags that would be suitable for the purpose, and he advises the building of ships. Well, it is a "present emergency" that is on us. We all fervently hope that this war will close in a less time than ships could be built. Strangely, most of our shipyards are busy already, and it would be ten to sixteen months before a boat of any considerable size, suitable for the trans-Atlantic trade, could be built in one of our shipyards. In the meantime you have those ten ships. What are you going to do with them? How much will they help you? What better would the Government do with those ten ships than the private owners are doing? Is the Government, which we must concede is sometimes very unwieldy, going to manage the shipping business better than the private owners?

GOVERNMENT OWNERSHIP

There are three phases of Government ownership presented in this proposal. I am not one of those for whom Government ownership has the terror that it has for many. Under proper restrictions it does not frighten me. But what is the proper field for Government ownership? It is in some branch of public service monopolistic in its nature, like waterworks in the city, electric light or gas plants—possibly telephone service and street railways, or those activities that are in close association with the moral and social conditions of a country, such as bath houses or lodging houses. Here you are proposing partial Government ownership, though there is nothing more disastrous than to have part government and part private ownership. This is not a fair test of Government ownership and operation. The ships that could be purchased with forty millions would be a bagatelle in the shipping of the world. You would be at best, even if it were half, in about the same condition that you are in when there are two telephone lines in the city. Oh, I have been through that! I have heard the statement made, "You have one telephone line here. If you put in another you will have the benefit of competition." What was the result? Each telephone line has to wire every building, put separate conduits in every street, and each office must have two phones. There is inconvenience all along the line, and finally, either there will be insufficient service, or the public will have to pay interest on both.

I remember some thirty years ago that there was a new railroad projected paralleling the Lake Shore Railroad between Buffalo and Cleveland. You could flip a copper between the different tracks, much of the way. The right-of-way man went out and said, "Now, farmer, we are going to have a competing line here. You can go to town more cheaply; you can ship your produce more cheaply; you will have all the blessings of competition and a new avenue to happi-

ness will be opened to you." In about three years they were both under the same management. It proved impossible to run the two side by side under the laws of competition.

What are you going to do if you have only one fourteenth or one twentieth of the shipping of the world? In the first place, the question has been asked, have you any special route on which you will put these boats? And the answer is made, "No; we will cross that bridge when we come to it." I think that question ought to be answered. I do not think Congress should be asked to appropriate forty or fifty millions of dollars without knowing something about what is to be done with the money.

PORTS OF CALL

Will special ports be selected? Then what happens? If you choose Galveston, will not Mobile and New Orleans have occasion to complain? Will you choose a special product, such as wheat or cotton, then will not every other class of producers have a right to complain that you are giving a special advantage to this line of business to the disadvantage of even others. Suppose the Government carries at lower freight rates than private owners. What would be the result? Why, perhaps one twentieth of the traffic of this country—a fraction certainly not greater than one-tenth, would be carried at a lower rate. What is the result? Does the great body of the American people get the benefit of it? No. It is the few who are benefited by those rates. It is exactly like the days of railroad wars, when the railroads, in times of sharp competition, put down their rates to a low figure. Those who were on the ground floor and took advantage of it were able to get their stuff carried at low figures, and they put the benefits in their pockets. The consumer got no benefit from it. You cannot go into this business partially and make a success of it. If you are going into Government ownership it is necessary that you shall control the whole business. There is no middle ground.

I recognize a disposition on the part of many of the American people to disparage expert knowledge. It is thought that inexperienced men may gather around a table and smoke cigars and make plans and advise organizations for trade or industry just as well as those who have given their lives to it. A distinguished public man went out to Trenton not long ago, to address a high school, and he said that the youth who has written a bright epigram gains more eclat than the student who has studied for two years. I want to say a few words for the student that studies for two years and who masters the subject. It appears sometimes to be imagined that great inventions and discoveries are the result of a chance inspiration; that a man, peering out into the outer void, puts his hand out and brings in a telephone or an electric light. But, ladies and gentlemen, that is not the case. The rewards in business and in science come to those who labor and who acquire qualifications.

SHIPPING TRADE NECESSITIES

Thus the shipping trade has been developing for centuries. It has adopted new routes of trade; it has adopted new methods, it has preceded rather than followed demands. There are certain necessities in regard to it. There must be terminals for the loading and discharge of freight. It is not sufficient to have ships. There must be wharves and quays. Is the Government going to secure those also? There must be affiliations with shippers. Is the Government going to secure such in a month or in two months? There must be a familiarity with the routes of commerce; a most careful calculation must be made so that the ship will have not only an outgoing but a return cargo; that she shall have something to do the year around.

And then again oftentimes the owner of the ship is a merchant. He has a cargo one way supplied by some shipper. He buys something to bring back. That is in a considerable degree true of the trade on the west coast of South America, where nitrates constitute the return cargo. Is the Government going into that business and going to buy merchandise to carry at this time?

I must say that in whatever phase we consider this bill we meet with difficulties. Not only is partial Government ownership defective in any field, but this is a line of business which it would be particularly dangerous for a newcomer to enter under the most favorable circumstances.

The Revenue Cutter Service, referred to by the distinguished Secretary, I commend very much, but it discharges a purely governmental function in the first place and to that has been added the most commendable object of saving life. But that was not a creation overnight. That was not adopted under a bill never declared for in a party platform. It is the growth of a hundred years. I read a report by one of the Cabinet officers a few days ago about the frightfully dilapidated condition of the boats in one branch of the Government service, and I thought, "Is it possible that alongside such a condition as this under Government management we are going to be asked that the Government go into the shipping business on a large scale?" If the Government cannot manage boats that are used for its own agencies, how is it going to manage them when they are used for the general purposes of trade?

PURCHASE OF BELLIGERENT SHIPS

There is one question I must consider before I close; Are you going to buy ships of any of the belligerent nations? It would take too long for me to go into this question in detail, but I wish to state the situation briefly: Formerly England maintained the idea that a neutral could buy the ship of a belligerent in time of war if it was done in good faith. The doctrine on the Continent of Europe was always the contrary; that a purchase by a neutral of a belligerent ship in time of war was void, and that if she sailed with the neutral flag she could be seized, taken into the prize court and condemned. In the declaration of London, formulated by a convention in London in 1909, all the commercial nations, practically, agreed with the Continental doctrine; that is, a transfer before the beginning of war was

valid if made in good faith, but if made after war had commenced, it was void unless it was shown that it was not done to evade the consequences of war. Suppose there is a merchant ship of Germany or England in the harbor of Charleston or Galveston. What are the "consequences" to which such a boat is exposed? Why, if it sailed out under the German or English flag it would be seized by the other of the belligerents. If transferred to the American flag, it would be to evade the consequences of war, and the boat would still be subject to seizure.

This war is not going to last always. We must take into account the feeling of these foreign nations toward us when the war has finished. I am afraid we have been a little too commercial in many of our ideals.

Germany has issued a statement confirming the declaration of London; true, making an exception if the boats sail exclusively to Germany, and saying that such boats must have a passport issued by the German Consul and that it must be taken to the State Department for approval, and then, it is good for only one trip. England and France have also proclaimed the declaration of London, with some modification as their policy during the war.

OUR NATIONAL RIGHTS

With these belligerents all united in the idea that ships cannot be transferred under these circumstances, I want to say that we cannot afford to take the chance. I am not one of those who say with bluff old Commodore Hull "My country: May she be always in the right, but, right or wrong, my country." I cannot agree with the last clause. No nation has insisted upon the rights of belligerents more earnestly than we did in the Civil War. We took it upon ourselves to determine the ultimate destination of cargoes. That is, if a boat sailed for Nassau and her cargo was suspiciously large we reserved the right to investigate the question as to whether the goods were not intended to run the blockade. If a boat went to Matamoras, even though Mexico was at war and the owners said, "This may be intended for Mexico," our prize court said "No; the chances are that it is intended for the belligerents, and we will confiscate your boat and its cargo."

We cannot afford to take chance of trouble in buying belligerent ships. Thus we are driven back on the ten ships that are available.

TERMS OF PROPOSED BILL

I am compelled to differ with some things that have been stated today in regard to this being in reality a private enterprise. Instead of buying the boats directly the Government is to organize a corporation, 51 per cent of the stock of which is to be paid directly from the Government Treasury, and if the remaining 49 per cent is not taken by private subscription, then the Government takes that, also. The Secretary of the Treasury and the Secretary of Commerce exercise certain supervision over this corporation with three others who constitute a shipping board. The very statement of my honored friend, the Secretary of the Treasury, in which he said the President is to have control of all this, and made an appeal to you, in which I most cordially join, of confidence in the President of the United States, disproves its private character. For whatever difference I may have with him, I honor him as a man, and he is our President. But you are asked to favor this bill because the President is going to control it all. How is that consistent with private business of a private corporation? The fact of the matter is that this corporation is a mere mask. Every dollar of the stock no doubt would be subscribed by the Federal Government. It is a Federal enterprise. The corporate form is a mere cloak to cover the real nature of the transaction; not intentionally so, but in effect. I may weary you, perhaps by dealing in the distinction between the rights and obligations of a government and of a citizen in relation to belligerents. A citizen can ship munitions of war to a belligerent, and the Government is not compelled to intervene. The citizen must take his chance. If the boat is caught, he loses that which is contraband; but the moment the Government of the United States does a thing of that kind it is an act of hostility leading to the most serious complications. You cannot get out of that situation by passing a bill of this kind and going through this fiction of organizing a corporation of the District of Columbia.

DANGER OF SEIZURE

I should tremble with apprehension, if this corporation should be organized, and a boat owned by it, under the direction of the Government, or as Secretary McAdoo has said, under the general direction of the President of the United States, should go out to sea and be seized by England or Germany on the ground that the cargo was contraband or that the ship had been transferred to our flag by a belligerent in time of war.

I do not want such a bone of contention, such a source of friction and quarrel brought into our international relations at this time when everything is so tense and we must maintain neutrality and equal friendship for all. But suppose it were possible to obtain from neutrals, no doubt at a very high price, what advantageous use could we make of them? I dwell upon that subject again at the risk of repetition.

GOVERNMENT BOARD QUESTIONS

Do you believe that a Government board entering into this business without affiliation with shippers, without wharves and docks, can utilize those boats and carry any more freight on them than the private citizen who has made it a business all his life? You say private owners are charging extortionate prices. I think they are high, and I will join in any reasonable measure that will submit charges to supervision and control. You cannot go as far as you can in the control

of the railroad rate because the business is vitally different, but you can supervise their conference and agreements. Why, it is said that there is a shipping trust. If ever there was an old and decayed derelict ready to be blown up it is the shipping trust. We are having the effect of unrestricted competition. Just at this time I must most vigorously dissent, if the Secretary will excuse me, from something that he said at Chicago—he did not quite say it here. I read from his Chicago speech.

"The objection that the shipping bill puts the Government in the shipping business is not tenable. Those who urge it seem to forget that it is the duty of the Government to engage in any activities, even of a business nature, which are demanded in the interest of all the country when it is possible to engage private capital in such operations."

IF THE GOVERNMENT GOES INTO BUSINESS

Where will you stop upon that kind of a platform? Whenever there is a political agitation against some line of business, whether it is buying ships, or marketing wheat, the Government has got to go into the business. The crowning glory of American life has been the initiative, the energy, the opportunity of the individual. I join with old Thomas Jefferson when he said "that government is best which governs least." I do not want to see the Government taking over business enterprises and selecting men who are to manage them more or less according to political favor. There is too great a multitude that has come here already seeking office; going first to high grade hotels, then to cheap boarding houses and then going home despondent. If the Government goes into business, I am afraid they will take the first train and come back again, and say: "While we may not have succeeded very well in the business in which we have been engaged at home, it is only because we did not have opportunity to carry on operations on a large enough scale. Just put us in the Government service and we will make a success in any position in which you place us, and in that way you will reward us for the services conferred in the campaign."

This is a situation true in a large degree with Democrats and in some degree with the Republicans. I am not criticizing any political party, but I want to say to this audience that we will never have efficient government management, certainly government ownership, until the wide shield of the civil service and appointment in regard to merit rests over all our governmental activities.

This bill, should it facilitate export, would certainly raise prices. I have heard in a political campaign that it was a requisite of usefulness that men should go their round with different speeches in their pockets. One for use when they went among the farmers, telling them, "You are going to have higher prices and everything is going to go better if you put us into office;" and then they would go into cities and say, "You are paying too much for bread and the prices are going to be lower."

OBJECT OF BILL

Now, what is the object of this bill? Is it to raise prices? Why, wheat is quoted at a figure higher than it has been, save in some sudden rushes in the market, since the year 1866. Persons are coming here to Washington asking that an embargo be placed on the export of wheat and wheat products. There was a headline in one of the papers night before last that said the cost to the Capital City alone would be six hundred thousand dollars, because of the added price of wheat. It has got to be either a smaller loaf or a higher price. The Government ought at least to be neutral under those circumstances. Is it going to use its strong hand? Is it going to tax the people, consumer and producer alike, to facilitate the export of wheat and hence raise the price of our primary food product?

Now, let us look into that cotton situation for a minute. We have an unprecedented crop this year, 16,000,000 bales. Very early in this war the Liverpool cotton exchange passed a resolution that they would not buy any cotton at present; the sources of demand were shut off; the cotton textile industry is demoralized by the war. There is consequently a very much diminished demand. Is it not perfectly inevitable that the price should be lowered under those circumstances, namely the large crop and the diminished demand abroad? In this terrible war the consumer pays the freight as he never did before. If wheat were available from Odessa, if it were available from Siberia, if it were available from India, there would be competition, but, as it is now, the main source of supply is the New World. You can fix the price in Chicago or in Buenos Aires and add on the freight to it, and the consumer abroad has got to pay that freight. In Bremen the cost of cotton is 19 cents. Why is it so? Because of the high rate of freight between Galveston or Savannah or New Orleans, and the danger of capture, the danger of detention, and the danger of being blown into eternity by mines when you are on the way.

Why, it was rather understood when this new regime commenced that we were to have lower prices. That was one of the promises that was made.

CONSIDERATION FOR THE CONSUMER

Now, is it to be the sole aim of governmental activity to raise prices? Is not the consumer entitled to the considerate attention of the administration? Will you tax the consumer and the producer alike to help the producer alone? Is that the new governmental idea that you are going to bring into effect?

Now, there is one point in this connection that I would like to mention while speaking in regard to cotton. The total production, as I said, is about 16,000,000 bales. A little more than a third of that is retained at home. The other two-thirds or less goes abroad. That would mean the export of about 10,400,000 bales in the year, 200,-

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Report of Special Committee on Merchant Marine

Presented by William H. Douglas, Chairman of the Committee

YOUR committee, entrusted with the consideration of this great national issue, have most carefully studied its various phases, including legislation proposed in the past and now pending. We have also investigated the statements of experts, the testimony secured by Congress, and the evidence given at recent committee hearings of the House.

No question now confronting the nation is so necessary to follow to a successful conclusion, none so essential to our prosperity and benefit as a commercial power, and of such importance in our ultimate relationship with the outside world, as the upbuilding of an American Merchant fleet.

Our export and import trade has grown with tremendous strides, and will continue to expand rapidly. Our people demand that it should be safeguarded, and no longer left to unknown vicissitudes and to shipping facilities certain to fail us in a world's crisis. The European war has opened the eyes of the country to a full realization of the unwisdom of past indifference and delay, and the wish is universal that effective laws shall promptly be passed to remove this national peril.

The objects sought to be accomplished are the establishment of mail, passenger and freight lines to foreign countries and our own dependencies, as well as the upbuilding of a general merchant fleet, so as to overcome the disadvantages and loss under which we have labored in allowing the carrying of our merchandise to remain almost entirely in the hands of aliens.

GOVERNMENT AID NECESSARY

Your committee believe that through Government aid only can these necessary safeguards for our future commercial advancement be obtained.

These results secured the American nation will be in a position to furnish quickly, and at small cost, the necessary transports, colliers, auxiliaries, repair ships, etc. of every type, size and speed required by the Government in case of war or any other emergency. It will make possible a clearer relationship between the Army, the Navy and the Merchant Marine, which is so desirable for our national defense, and which has proven so beneficial to other countries. The Committee also believe that it will enable the Government to avoid the now existing necessity of building at a great expense many vessels for such purposes and of maintaining them for long periods without benefit to the nation.

Legislation extending Government aid to American shipping naturally carries with it an obligation on the part of owners to allow their vessels on proper compensation being paid to be utilized at the call of our national authorities.

The countries of the old world are keenly alive to the advantages of having the finest built and best equipped mail and passenger steamers to connect their shores with the world's remote nations. They realize the immense importance of bringing the merchant and tourist to visit them. It means millions spent for their people's benefit, and millions more purchased by the foreign buyers to sell in their home markets. These nations have not hesitated to pay large amounts yearly in building bounties, mileage subsidies, mail subventions, etc. recognizing the great advantage from a national and commercial standpoint, but we find no instance where a European Government has gone into shipping operations itself.

The report of the Board of Trade of England, Commercial Department, issued June, 1913, informs us that twenty-six countries grant bounties and subsidies in respect to shipbuilding, shipping and navigation. In 1911 France paid 1,334,960 pounds (\$6,474,556). Germany in 1900 paid 350,000 pounds (\$1,697,500), beside subventions to several of their great steamship lines in addition to special custom facilities and preferential railroad rates on export goods. Austria-Hungary in 1910 paid 820,291 pounds (\$3,978,411.35). Italy in 1912 paid 813,600 pounds (\$3,945,960), including construction and repair bounties. Japan in 1911 paid 1,400,275 pounds (\$6,791,323.75). Russia in 1912 paid 755,016 pounds (\$3,661,827.60). England's expenditure in 1913 is estimated at from 800,000 pounds to 1,000,000 pounds (\$3,880,000 to \$4,850,000). The United States in 1913 paid approximately \$1,212,500, of which amount the American Line between New York and Southampton received over half for carrying the mails under the present mail law. Probably fifty million dollars yearly is paid out by Europe alone for the encouragement of shipping, directly or indirectly.

PRIVATE OWNERSHIP ADVOCATED

Your committee believe that it is the right of our citizens to own and operate our commercial fleets, and this privilege should not be taken away from them. They should enjoy the pride of again making the oversea world acquainted with our flag. Legislation enacted should be along these lines, and accomplished at a minimum of cost and a maximum of efficiency, rather than adopt experimental devices.

For years Congress, while fully realizing our necessities and promising relief, has failed to grant it, one measure after another having been taken up, considered and dropped, or defeated. The present administration has laid aside all previous plans and boldly advocates Government purchase or construction and ownership, combined with Government operation, or the leasing to private individuals or corporations of the tonnage secured, also asking the right to charter vessels and recharter them if desired. The reason given for this radical move is that our citizens, the Government claims, are not willing or able, under present conditions, to provide capital for requisite tonnage, and consequently Government action is forced. Its views are embodied in what is known as the Alexander Bill now before Congress, H. R. 18666, in-

troduced September 8, 1914, amended and reintroduced as Senate Bill 6856, December 9, 1914.

President Wilson in his recent address to Congress on December 8 has strongly endorsed the measure, and urges that it shall be enacted into law. It is proposed to form a corporation with a capital of ten million dollars, to be increased to a larger amount if required, and thirty million dollars is appropriated for the purpose of purchasing or building vessels. Transports or auxiliaries of the Navy and War Departments, if suitable for business purposes, may also be transferred to the corporation, including any steamers owned and operated by the Panama Railroad Company.

GOVERNMENT OWNERSHIP AND OPERATION UNWISE

Your committee are of the opinion that Government ownership, combined with operation, is unwise, and advocates its avoidance, which opinion also seems to be the general verdict of the business world. Our Government might better profit by the successful experience of others, and not establish the precedent of even temporary experimental competition with its own citizens.

Government operation is un-American, is likely to be more extravagant and expensive than private control, and will seriously interfere with individual initiative and retards the enterprise of our citizens.

The Alien lines now operating would be forced into competition with our Government, or joint cooperation would have to be entered into, or acquiesced in, if uniformity of rates was established; an action which might lead to undesirable complications. If the Government operated vessels of considerable speed, and rate competition was severe the lower speed steamers of the Alien lines would make money, while the Government line would lose heavily.

The Alexander Bill also states "The vessels purchased or constructed by the United States through the Shipping Board, with the approval of the President of the United States, shall be of a type as far as the commercial requirements of the foreign trade of the United States may permit, suitable for use as Naval auxiliaries in the Naval establishment of the United States."

Special construction is expensive, and while speed is desirable for mail carriers, vessels of high speed cannot compete at equal rates with vessels of low speed. We must have the proper tools to do a certain class of work, based on the work itself. If forced to take tools unsuitable, no contractor will care for the contract, and so it would be with passenger and freight lines. Men of experience versed in shipping matters would wish to secure their own steamers adaptable to the purpose contemplated. The speed of most vessels running on Alien lines to China, Japan, India, Australia, Africa, New Zealand and the East generally does not exceed 9½ to 10½ knots on the average, and the same condition applies to the South American lines, with the exception of a few vessels of a higher type that are now being operated.

Thirty million of dollars, a large amount as it is, would only secure a small number of steamers, a mere bagatelle in comparison with immediate national requirements, and while experiments are being tried with these we may be put back several critical years in making full provision for our necessities. On the other hand, if the vessels are contracted for, even in part, it may mean serious delay in establishing contemplated oversea lines.

The great problem of your committee is to determine if our desires can be realized in a better way than by the Government program, as we fully appreciate that a policy should not be disapproved unless such disapproval is based on good ground, and also accompanied by suggestions and feasible plans to accomplish better and more economically the purposes desired, so as to appeal to public sentiment and to Congress.

We are unwilling to accept the principles of the Alexander Bill and suggest the following plan which, we confidently believe, will stimulate private initiative and enterprise and result in the reasonably prompt creation of a large and efficient American Merchant Marine.

A FEDERAL SHIPPING BOARD

The Government to create a permanent Federal Shipping Board composed of five persons of recognized ability and experience in marine transportation.

This Board to be appointed by the President and to be strictly non-partisan.

PURPOSES, DUTIES AND AUTHORITY OF THE BOARD

The primary purpose of the Federal Shipping Board to be to encourage the establishment and successful operation of an American Merchant Marine.

As an important factor in this problem the Board should make a thorough investigation of our present seriously defective navigation laws and recommend to Congress such revision as it may deem essential or desirable.

The Board to have full jurisdiction—under the law—in all matters pertaining to oversea transportation.

FINANCIAL COOPERATION

Subject to such restrictions as Congress may impose, the Federal Shipping Board to have authority to loan for a period of 7 years to persons or corporations of satisfactorily demonstrated ability, who desire to engage in oversea transportation—preferably on routes between the United States and foreign ports to be approved by the Board—such percentage of the cost of building or purchasing ships as will afford a safe margin upon the investment.

Such loans to be made at a fair rate of interest, the time of loan to be fixed by the Board, and to be secured by a first mortgage bond upon the ship or ships with provisions for amortization.

A MARINE DEVELOPMENT COMPANY

To provide the necessary funds, a Marine Development Company with a capital of thirty million dollars (\$30,000,000) to be incorporated; the entire capital stock to be subscribed for by the United States and held in trust by the Federal Shipping Board for the purposes hereinbefore set forth; said thirty million dollars (\$30,000,000) appropriated from the National Treasury, to constitute the maximum obligation of the United States in connection with this undertaking.

GUARANTEE AND SALE OF BONDS

The bonds, taken as hereinbefore set forth, to be guaranteed as to principal and interest by the Marine Development Company and offered for sale to the public upon a slightly lower interest-yielding basis than that paid by the borrower; the accruing profit to provide for the expenses of the Federal Shipping Board and of the Marine Development Company any surplus to be applied to a sinking or contingent fund.

The proceeds of all sales of bonds to be similarly reinvested at the discretion of the Board during period named.

Under the proposed plan funds essential for legitimate shipping operations can be obtained, and the oversea mail and freight lines advocated can be quickly built up, if supplemented by direct Government aid for service rendered to overcome the extra operating disabilities to which our vessels are subject.

We question whether the American people are so strongly opposed as is claimed to the payment of reasonable subventions, which many think is the simplest, and probably the most inexpensive, method to establish mail lines to South America and elsewhere. Under this plan no responsibility rests with the Government, contracts are made and bonds are given to faithfully fulfill obligations entered into, and the cost is defined and limited.

As an alternate proposition the existing ocean mail act can be amended to provide a justifiable and fair remuneration.

The present ocean mail law which is administered by the Post Office Department places the speed of vessels on so high a basis in class 1, namely 20 knots, that practically no lines have been able to conform to these requirements, as the cost of construction and the speed demanded make the operating expense of such vessels entirely too high. We would suggest that the speed be reduced to 16 knots on first-class ships and on second-class vessels where the law now calls for 16 knots, that the speed be reduced to 12 knots, adequate compensation being allowed to establish lines desired.

Alien vessels used to establish oversea lines should be replaced at agreed intervals by American built steamers of such construction and speed as will meet future reasonable naval requirements, so that the lines established would ultimately operate only vessels built in our own shipyards, thus aiding this great industry now languishing for want of work.

The ocean lanes are no longer free, trade routes being laid out with as much precision as our great railroad trunk lines, and traversed with almost the same regularity. The line or lines operating are as jealous of their field of influence, and resent intruders with as much spirit, as do our corporations controlling inland means of communication. Hundreds of agreements or combinations exist for protection and to exclude newcomers, profits or losses are pooled, the number of yearly sailings by each line is apportioned and ports of discharge assigned.

Representatives of alien steamship lines meet in London, Hamburg or elsewhere, and establish rates at which American goods are carried to all parts of the world. By mutual agreement they can practically debar us at any time from being able to compete with the exporters of other nations. The freights charged are frequently excessive, and the danger and humiliation of such a position must appeal strongly to our people. If rates are to be agreed upon, it is certainly much more to our interest to have the schedule arranged here, or at least we should be in a position to have a determining voice in their fixing.

Our railroad experiences have taught us the unwisdom of allowing complete liberty in these matters, and that when competition is destroyed, abuses will follow. Then with equal certainty must reasonable legislative regulations eventuate, so that absolute fairness to all will be assured, with equal privileges and equal rates, thus placing shippers large and small on an equality.

Legislation is pending providing for the supervision of ocean freight rates, the filing of schedules and agreements between different lines, granting the right of shippers to apply for rate reductions and to correct abuses, calling for a proper system to secure payment of just claims, abolishing deferred rebates and unjust discriminations against shippers, requiring that concessions granted in advance contracts must apply to all, and dealing with the correction and regulation of shipping matters for public protection. Your committee are heartily in favor of such legislation, with all such matters placed in charge of the Federal Shipping Board.

Foreign owners or corporations coming to our shores to establish permanent oversea lines, opening offices, advertising regular sailings and enjoying our protection and hospitality, should be as much bound by our laws as domestic corporations. Insurance companies from abroad wishing to do business here must take out State licenses and deposit securities to protect policy holders. Similar protection, by reason of the vastness of our commercial interest, should be extended to our foreign business. We therefore advocate that all individuals, firms, companies or corporations, foreign or domestic, running regular foreign lines should be compelled to take out a Federal license to operate. Such action would greatly facilitate and simplify the work of the proposed Federal Board, enabling it to control and readily regulate oversea traffic.

Your committee have not made any definite recommendations regarding the upbuilding of our shipyards, believing that if policies suggested are carried out, in whole or part, it will undoubtedly result in the advancement of the prosperity of this industry, which it should be our duty strongly to encourage. The present higher cost of building in Europe, a condition created by the war, may also lead to the building of vessels in the United States.

REVISION OF NAVIGATION LAWS

The belief is widespread, and experts say is well founded, that our navigation laws in many particulars weigh heavily on our shipping, placing us at a disadvantage, specially in the building up of a general merchant marine. This matter should be thoroughly investigated by the Federal Shipping Board, and a proper revision accomplished through Congressional action. We refer to the very strict regulation of American citizenship for officers and crew, the obligation to employ more men on deck and in the engine room than are carried on foreign ships, various requirements which add to the expense of operation, proper modification of our basis of measurement to reach an international standard, and various regulations regarding constructions, etc.

The important question of securing American citizens to command and officer our fleets, including the providing of competent men for the engineering department, is a national necessity. The training of young men as seamen is essential, and the large number yearly discharged from our Navy, after receiving a valuable training, might be encouraged to go into the Merchant Marine, and if paid a yearly retainer perhaps could be induced to join a Government Naval Reserve. Freight steamships engaged in foreign trade not operating in mail lines, but built under Naval designs and carrying apprentices pledged to Government service, might also well be paid proper compensation. We advocate that the Federal Shipping Board shall be given authority and sufficient funds to carry out these purposes.

No nation with an extended area bordering on the seas should fail to provide tonnage requisite to carry a large proportion of its commerce. Had the European nations now at war been about equally divided in naval strength and commercial fleets, practically the entire Merchant Marine of the world would have been forced to run to cover. Our export trade would have been paralyzed, which would have meant an appalling loss to the American people, no matter in what line of business they were operating.

No one nation should control the ocean any more than one power should dominate the land. For the world's good there should be an equal and fair division of the carrying trade between the great countries.

These lessons should make us realize our responsibilities and the risk of going on under old conditions should not for a moment be tolerated. Small considerations, narrowness of opinion, sectional and partisan feeling should be swept aside. No sacrifice is too great to secure our future maritime independence.

Legislation of a national character which reaches and benefits the greatest number of our people is wise legislation, and we believe that past prejudice against Government compensation to shipping, on the theory that it is class legislation, has now passed away. Any one who will study the manifest of a ship leaving an American port loaded with a miscellaneous cargo must admit the far-reaching advantages to all sections of the country. The farmer, the grower of cotton and grain, the raiser of cattle, the producer of fruit, the operator of the mines, the packer of canned goods and the manufacturer of hardware, machinery and agricultural implements are all represented. It will show flour, wheat, oats, corn meal and cereals, corned beef, canned goods and salmon packed in the far West, oil, rosin, turpentine and lumber coming from the South, carriage ware, woodenware and agricultural machinery from the East and middle States, beside all classes of manufactured goods and machinery too numerous to mention.

SUMMARY

1st. Your committee consider that, owing to the world's shipping conditions, Government aid is absolutely essential to upbuild our Merchant Marine, and we recommend it be freely and adequately given.

2nd. We believe the proposed Government plan of purchase or construction even, if operation is avoided by chartering to private persons is wrong in principle and unwise if the result sought can be secured by private initiative supplemented by reasonable Government aid.

3rd. The success of other nations in giving direct aid to establish oversea mail and freight lines should not be disregarded, unless we are satisfied equally successful results can be accomplished by better, cheaper and more efficient methods.

4th. We advocate the formation of a Federal Shipping Board and a Marine Development Company as outlined, the Company to advance funds to buyers or builders of steamers, and the Board to supervise our shipping, with full authority to handle all matters pertaining to our oversea transportation.

(Continued on page 35)

A Year of Service and Achievement

Address by John H. Fahey

President of the Chamber of Commerce of the United States

The report of your Board of Directors for 1914 has been printed and is in your hands. We would particularly request that each and every one of you should make it his duty to read it. Because of the form in which it is available to you, we have, for the purpose of saving time, eliminated it from our program. We have tried to make it as brief and to the point as possible. In this process the review of the year undoubtedly has lost something of force. Certainly it can hardly convey to you a really vivid picture of the work of this organization during the momentous twelve months which have passed, as it has impressed itself on the minds of your Officers, Directors and committee members who have been close to it during that period.

Representative and Democratic Organization

Just a year ago, following a remarkable record of organization up-building under the leadership of one of the finest citizens of this Republic and a man without a superior as an organizer—Mr. Harry A. Wheeler of Chicago, it fell to my lot to pick up the threads and try, so far as lay in my power, to carry on the work. So well was the foundation laid by the first President of this organization, such was the impetus and the inspiration he gave it, that it could hardly fail to go on. The awakened spirit among business men which came from this thought of federation and unity expressed in the National Chamber has helped wonderfully in such progress as we have made. The sacrifice and devotion of the men who have served on this Board of Directors, following the example of those who preceded them, has also been a tremendous factor and as a result, despite the distractions brought about by uncertain business conditions and the greatest war the world has ever known, the Chamber of Commerce of the United States has gained substantially in membership, in influence and in prestige. We can report that there is enrolled today in this federation 624 organizations representing nearly three hundred thousand corporations, firms and individuals in this country. The individual membership, which, by amendment to your By-laws, you limited to 5,000 at the last Annual Meeting, has grown to about twenty-five hundred. An ideal of three years ago—an ideal which many men of good judgment declared was not possible of accomplishment, has become a definite, practical fact. You have today in the Chamber of Commerce of the United States the largest, most representative and most democratic organization of its kind in the world.

If it be asked what has the Chamber of Commerce of the United States done, it is enough to answer, if no other answer could be made, that in little more than two years of work a virile and energetic organization has been created. Where before business men representing a tremendous element in the prosperity and progress in this country were disorganized, dealing with the problems that confronted them weakly and inefficiently, as separate units, without a definite program, divided by sectional interests, suspicion and lack of understanding, a great forward step has been taken toward unity and harmony and the nationalization of business thought. Thousands of business men in hundreds of different lines of activity have begun to think along the same lines, have begun to see their interdependence as never before, their relation to other great economic forces in this country and to realize the importance of the common interest in which they are all concerned.

Welding Process Progressing

That this welding process is completed, that it is as thorough as it should be, cannot be asserted with truth, but that it has, within this period, gone far beyond the fondest expectations of those who gathered in this room, April, 1912, when the first faltering steps were taken, is not an exaggeration. But, gentlemen, it is only the beginning. Even those of us who have lived closest to it and have therefore developed the strongest opinions as to its great possibilities for good, not to business alone, but to the welfare of the nation as a whole, have, I believe, even now but small conception of what it may be. And what it may become and what it may do will be measured entirely by the extent of your thought of its welfare, your real cooperation and unstinted support.

I believe it to be the duty, not only of every man here, but of every member of an organization in the Chamber of Commerce of the United States, as well as every live business man in the country who is still outside, to post himself as to the Chamber of Commerce of the United States, to understand what it is for, what it is doing and what it can do. With that information at command he should, as a part of his cooperation in this undertaking, take advantage of every opportunity to inform other business men who do not know, and enlist their sympathy and interest. He should aid wherever possible in getting into the fold any organization with which he is in contact not now in the membership which should be represented. He should be ready to give to the Officers and Directors of the Chamber every suggestion and criticism which comes to him, to the end that by such contributions to the common cause we may advance the work even more rapidly than it has gone thus far.

You have just heard the Treasurer's report. In marked degree it is better than the statement which was laid before you a year ago, but in general the conditions under which your Board have taken the responsibility of going ahead have differed but little from 1913. On the occasion of the last Annual Meeting President Wheeler said to you frankly that the policy pursued by your Directors was not such as would characterize the operation of a private business in which any of

us were interested, since we went on with an operating expense in excess of funds in hand, counting upon the strength of the idea and the resources which came to us as we proceeded to meet the financial demands upon us. There was no other way in which we could proceed. If at the outset we had waited to raise a substantial fund, with which to build this organization, that building would have been slow and painful indeed, and its success in great doubt. The time was ripe, important problems were pressing and if we had neglected to go forward with courage and confidence we would indeed have failed to respond to the spirit of American business.

The year just passed has been one of serious handicaps in the proper financing of this organization. At the time of the last Annual Meeting you may recall we reported a deficit of over \$11,000. As of February 1, 1915, to bring our figures up to date we have a deficit of less than \$4,000.

Necessity of Arousing Interest

The early spring brought uncertain business conditions. Meanwhile consideration of the future of the organization made apparent the fact that some definite financial plan should be devised to provide for resources until the Chamber was on a paying basis. With each organization added to the membership and each individual member enrolled came additional income, but the cost of getting this membership at the outset dissipated a large part of the dues received. Membership cannot be built by sending out letters or circulars. Satisfactory results are secured only when your Officers and Directors are able to go themselves or send competent field men to the organizations to make clear the need and the possibilities of such an institution. The cost of maintaining a capable field staff, with its attendant traveling expense is considerable, but it is absolutely necessary, not only from the standpoint of increased membership and revenue but to arouse interest and for much needed service to the organizations themselves.

Aside from the cost of building up an organization, demands on the Chamber to do things were constantly increasing, committees were at work on problems of great importance to business in connection with which research was necessary, and secretarial assistance had to be provided for such committees. Careful calculation by your Directors led to the conviction that when the membership work was further advanced there would be sufficient income to do the work of the Chamber very well indeed, but until the individual membership was filled and more organizations came into the fold much work of the most important character would have to be abandoned or postponed. At the rate of progress in membership building it is apparent that within two to three years the annual income of the organization should be about \$160,000.00, a sum which should, for some years to come, prove adequate. Meanwhile in the judgment of your Board there was no common sense course to follow except to raise by subscription, a sum of money to supplement the income from dues until the Chamber was self-sustaining. It was felt that not only should we have money enough to meet current expenses, but there should be some margin to work on.

In spite of the war and other difficulties the Board has made substantial progress in raising a Capital Fund and a considerable proportion of the subscriptions made this year has been promised for two years more. It is not a difficult matter to settle the financial question so far as this Chamber is concerned if the work is properly organized and pushed.

Individual Membership Urged

One of the most important things to be done, however, is the completing of the individual membership with the least possible delay and in this we feel we should have your generous cooperation in every way you can give it. The individual member of the Chamber, you will remember, pays the modest sum of \$25.00 a year in dues. He receives definite service for his payment, but that is a minor consideration. Every really alert business man who is eligible for individual membership should hold such a membership, if he believes there should be national cooperation on the part of business men, and is willing to prove it by helping to make it possible.

This class of membership is also a source of strength to the Chamber in another way. As the Bulletins of the organization go out to these members there frequently come to their attention important details affecting the matters of legislation, the ruling of a bureau or department on a business matter or an opportunity for the extension of the country's trade of which they are able to advise us because of expert knowledge, and which might otherwise escape attention for lack of such knowledge. The wage earner in the loyal support of his organization which has at its command resources many times greater than the Directors of the Chamber of Commerce have ever looked forward to, and the farmer in the contribution he makes to his federation, have given the business man an example which he should heed.

The commerce of this country now amounts to more than twenty billions of dollars annually. With its opportunity for useful service there can be no financial problem in the Chamber of Commerce of the United States.

What the Chamber Has Done

The inevitable question in any organization similar to this whenever its work is under examination is "What have you done?" I have pointed out that first of all there has been laid a solid foundation for this organization and that of itself is a large accomplishment, for

without the representation of membership in all sections of the country the Chamber had but small right to a hearing on questions of national policy affecting business.

One of the most important functions of the organization is to crystalize and express in open and logical fashion the business opinion of this country concerning questions of national legislation. It is clear that that opinion would not carry weight unless the projects under discussion were carefully studied by the business men and the conclusions presented were so reasonable and fair that they could not be disregarded.

It has been demonstrated that the methods which the Chamber has pursued have gained the respect of administration and Congressional leaders who have had occasion to investigate those methods. We have found but little evidence of unwillingness on the part of Congress and public officials to listen when we had facts and reasons to present on matters of national legislation.

Development of Committee System

I will not undertake to review the questions dealt with by the Chamber thus far in its history. You are familiar with them and the report of the Board which is in your hands covers them. It speaks for itself. The development of the committee system for dealing with questions has brought some experience and has demonstrated that in most cases a study of important matters by a competent committee is sound and extremely useful, but in this phase of the work again we find the need of substantial resources if the work is to be done properly. The Chamber has been able to command the unselfish services of some of the wisest and ablest business men in this country on its committees. They are men usually engaged with important enterprises of their own who do not find it easy to take the time from their own affairs for the work and study necessary. Nevertheless, they have given without hesitation and it is evident that in this work the Chamber can at all times command the talents of the best there are in the nation. But we cannot ask such men to devote themselves to personal investigation of details, to research work; they must have secretarial assistance and with the large number of things to be done it is essential that the Chamber should be able to employ men of the highest character and competence to work with these committees.

Under our system committees are appointed for a year. At the beginning we organized most of these committees by sections, in four groups representing different parts of the country. This proved cumbersome, however, and better results have been secured with smaller committees likewise representative of different lines of business and different sections. In practically all cases it will be necessary to follow this plan in the future.

It is to be remembered that under our By-laws any organization in the membership has a right to propose a national question for consideration. This is important. Very few of the organizations have thus far availed themselves of their privilege and in general practice it is probably true that before such a question was presented it should be considered by a representative and impartial committee. The right of an organization to present a proposal, however, should under no circumstances be abridged.

Cooperation of Government

The second important function of the Chamber is to bring about closer cooperation between the business men of the United States and Government bureaus and departments performing work of value to business. As a result of the creation of the Chamber there is greater activity along these lines than ever before and it is constantly increasing.

The reorganization of the Department of Commerce has been an encouraging incident but the utilization of its service and resources has only begun. In addition there are many important bureaus as yet practically unknown to the business men of the United States which should be fully understood and made use of. The whole system of promotion of commerce can be immensely improved with proper understanding and cooperation on the part of the business interests. We have a long distance to go yet before the results are in any way comparable to those which have been secured in the great commercial countries on the other side of the Atlantic, especially during the past twenty years.

In the evolution of this cooperative phase of the Chamber's service the importance of the permanent headquarters of the Chamber maintained in Washington cannot be overestimated. Since the first of last August not a day has passed that the Washington bureau of the Chamber has not rendered some practical aid to the business men of the country, which measured even from the standpoint of dollars and cents has not brought dividends of several hundred per cent on every penny that has been invested in this organization from the beginning. The Legislative Service, the analysis of unoccupied foreign markets, the information to business concerning important conditions brought about by the war, have all received gratifying praise from all parts of the country.

If any member of the Chamber doubts the value of the service rendered he has only to examine the hundreds of letters which pour into the national headquarters every day to be convinced. These are things which will not occur to the average business man, interested though he may be in the general purpose of the Chamber, unless he comes in direct contact with them, but they mean something, nevertheless. In referring to this work I want to express on the part of our Board, as well as for every member who has had occasion to know of it, our thanks for the devoted and loyal services of the General Secretary, his assistants and the entire staff of the employees in the Washington office as well as that of the men who have been in the field. Down to the last office boy there has been a spirit of service, pride in the or-

ganization and interest in the work which is exceeded in no private enterprise of which I have knowledge.

Organization Efficiency Bureau

A year ago President Wheeler referred to the fact that one of the great needs of business organization in this country was the establishment of a strong central bureau to act as a clearing house for the exchange of information as to organization work itself. The help which such a bureau can give in developing standardization among business organizations is generally recognized. New machinery for business organizations has been created very rapidly in the United States in recent years. Everywhere organization methods are being critically re-examined. In the trade associations and in the city organizations the value of united effort is being recognized more and more. But many of these associations are without the resources to learn what machinery they can employ to the greatest advantage. They are anxious to know what plans have proven successful elsewhere and the reasons for failure in some directions. Only a great central body like the Chamber can supply this information in the best way and aid them in their work by assembling in its headquarters the facts needed and thus make them available to all. A lack of money to do this work as it should be done has thus far prevented your Directors from undertaking it, but we hope soon to be able to respond to the demand which comes to us from every direction. With the cooperation of the National Association of Commercial Executives we hope to take the first steps in the near future. Of necessity a bureau of this sort will be a matter of growth. It will be impossible at first to respond to all of the requests made, but by degrees your Board hopes that we will be equal to the task.

An interesting feature of the work of our field men has been the stimulation of interest in business organization. Their appearance in one city after the other, preaching the gospel of business unity and cooperation has already brought about a sentiment for constructive and public-spirited work along broad lines which is an asset to business everywhere. It has helped in the nationalization of business thought to a degree that can hardly be measured.

Things To Be Done

The experience of the Chamber in dealing with national questions has definitely proven that the business men of the United States, as in the management of their private affairs, should be foresighted. New laws are usually a matter of slow growth. Business men generally do not realize this, but if we look back into the history of important legislation in this country we will find that most legislative projects had their inception many years before they reached the stage of enactment. It has too often been the case, however, that business men have been almost wholly oblivious of the demand for legislation in certain directions, and the steady growth of sentiment for such legislation as a result of the cumulative effect of discussion. Frequently when a proposal reached the stage of being made into law, they have awakened to the fact that they knew little about it, and their attitude has been one of uncompromising opposition when they should have sought to understand the need and should have made a reasonable effort to have the law fit that need, without working harm to legitimate business. There is nothing which brings the opinion of the business men considering legislation into greater disrespect than opposition to every reform, no matter what its merits may be or what the demand for it may be.

It is stated on authority that during the past five years some sixty-five thousand laws have been placed on the statute books of this country. Many of them dealt with business directly or indirectly and a considerable number of them were framed to correct unworkable or unjust legislation of the past. Many of the old measures, because of their deficiencies clogged court calendars, added unnecessary uncertainties to business and impeded justice.

It would be interesting to know to what extent this might have been avoided if business years ago had tried in a careful, representative way to make this legislation right and if legislators on their part had tried to understand honest, right-minded business men a little better. Is it not true that there has been fault and misunderstanding on both sides, and is it not the duty of both to learn by the experience of the past and avoid the same error in the future? Administrations will change, Senators and Congressmen will come and go, a certain percentage of change takes place in every Congress, but legislative policies will continue to evolve; measures new today and little understood will develop sooner or later and action will result. Laws advanced in the public interest and meaning much for good or harm to the business of the country, depending upon their final character, will come to the stage of enactment naturally. Other laws there are which business would propose, to meet problems pressing for solution, and which should be kept to the front irrespective of partisan politics. Should we not from year to year work out our policy with reference to such measures and having obtained the general view uninfluenced by prejudice or partisanship maintain a position rightly taken without wavering?

Questions Already Considered

There are some measures of this sort concerning which this Chamber has already declared its position. One of the first was the project of a tariff commission. We have made clear the attitude of business men of this country on that matter. The principle is right and that fact is coming to be generally recognized. Practical results may come from the agitation sooner than we anticipate. The President of the United States has recently called attention to the fact that the new Federal Trade Commission has the authority and is equipped to serve in the capacity of a tariff commission. It has been suggested that this commission will be overwhelmed with so many very important business problems that it will be difficult indeed for it to give its at-

tention to this. Perhaps a little experience will settle this question; in any event, it is to be hoped that if it is determined that the Trade Commission cannot well undertake this duty a positive means for meeting the need will be found and that without delay.

The Chamber has likewise gone on record for a budget system in the handling of our national business. Already steps are being taken in that direction in Congress and here again it is reasonably clear that the attempt will soon be made to correct this serious deficiency in our governmental system.

The new Federal Trade Commission will soon come into existence. What it means to business great and small must be studied and understood. The Chamber's committee which reported upon the laws creating it will be reorganized presently and will be charged with the duty of studying the questions which will come to this new body for settlement. It will from time to time report on the principles dealt with. The Chamber will also establish an information service concerning the work of the Trade Commission that all of our membership may be fully informed concerning the important questions considered. Your Board also believes that it would be of the greatest advantage if every organization in our membership would form a committee on this subject in order that our members may be better prepared to pass upon the problems and better understand the work of the Commission.

There has been a growing sentiment for changes in our patent laws, a belief that our system is not the best and that it can be improved. We do not need to debate the importance of such legislation from the business standpoint. We have already given the subject study through a competent committee. That work should and must be continued that we may be prepared at the proper time to advance additional views.

Study of Commercial Treaties

Many of the Commercial Treaties of this country are many years old and wholly unsuited to present conditions. Some of them have been discussed in our meetings. The Chamber's Committee on Foreign Relations, as set forth in the Directors' report, is now engaged in a study of these treaties and we should be prepared to make useful suggestions when they are taken up by our Government.

There are other proposals which this organization has not yet dealt with in a definite way and which we should be prepared to consider because they are of great importance to the common prosperity. The law for the regulation of water carriers is now in Congress. It has made such progress that within a comparatively short time it will undoubtedly reach the point where business opinion concerning it should be expressed. Is it not our duty to begin a study of it without delay that we may take a position understandingly?

The new Banking and Currency Act is in operation. There is reason to believe that after we have had sufficient experience with it, proposals will from time to time be advanced to improve it. The details of that act are of vital consequence to commerce and we should promptly examine any proposed amendments to it and express our attitude toward them.

Rural credit legislation is approaching enactment. We might say that it does not concern us, but any business man who has given thought to the subject will not long make such a contention. Proper laws in this direction may be of great advantage to the common prosperity in which we are all concerned. Should not business experience help in making them the best possible?

National Labor Exchanges

The development of a national system of labor exchanges in this country is in prospect. In Europe such systems have proven to be of great value but their success is largely dependent upon sympathetic cooperation on the part of business men. A law to provide such a system in the United States will undoubtedly be presented in the next Congress. Should we not prepare for it now?

Following the conclusion of the present European war we will undoubtedly be obliged to meet new immigration problems in this country. Should we be content to sit still as we have in the past while hundreds of thousands of immigrants, unfitted by training for most useful service in crowded areas, congest our cities and present to us new and serious problems? Or should we plan better and try to find a means by which they may be directed to the farming sections to very much greater advantage to themselves and to the nation?

Industrial and vocational training have been helped immensely in this country through the cooperation of business men. There can be no argument as to their importance. The Chamber has had this subject under consideration already. It must do more and without undue delay.

But I should not tire you by the enumeration of many other projects almost equal in their importance of which we should be heedless no longer. I do not attempt to say what attitude we should take concerning any of these matters, that is not the function of your Officers, for it has been provided wisely that the Chamber shall decide its own policies. I merely raise these questions not as representing personal views, but as reflecting ideas advanced by business men in all sections of the country. We should not falter in our duty. We should not hesitate. Is it not clear that we should look ahead and looking ahead provide for what the future holds?

Position of the National Chamber

But I believe we will all agree that the Chamber should establish its position on all great public questions cautiously, after careful consideration and investigation, depending upon the logic of our arguments to gain attention. Moreover, we must not undertake to do too much. If we deal with too many projects our influence will be weakened greatly. We should therefore concentrate on the most important.

I do not intend to dwell upon present business conditions in the United States; others more competent will, during the course of this meeting, review the extraordinary happenings of the past few months. Shocked as almost never before in our history by the terrific impact of an unexpected war, the country's business was almost prostrated less than six months ago.

The unsettling character of this disturbance you well know; and yet within this short period the recovery from it has been little short of marvelous. Able and patriotic business men, and resourceful organizations of business men, did their full share, working shoulder to shoulder with the responsible heads of the Government in repairing the broken down machinery and in restoring shattered confidence.

That this great historical happening will have far-reaching results cannot be denied. What the ultimate effect will be depends largely on us as a people, on the wisdom of our statesmen and the courage and leadership of our business men. Perhaps this catastrophe has brought us to a keener realization of our common interest than ever before. The farmer and the worker have come to see their dependence on the transportation agencies and the business men and likewise there has developed an equally better understanding on our own part of our relation to these other great interests. It seems clear that we are going further out into the world than ever before; that America and things American will be better known in lands where we have been almost strangers. In this evolution let us see to it that our America carries the impression we would like to have it convey, that it stands for liberty and justice and honest dealing. On no other basis can our influence be long sustained.

National Cooperation and Understanding

In the countries across the Atlantic now rent by strife, but a few months ago things of serious portent were developing. Violent social, racial and religious prejudices were aroused over projected reforms in nearly all of them. Even civil war threatened. But when the cataclysm came dissensions were forgotten over night. Rich and poor, high and low, came together in each nation in the common cause.

The example is sharply before us. Do we need any greater crisis than that through which we have passed so recently to make clear to all of us the necessity of real national cooperation and understanding? It is quite as patriotic, it is quite as much our duty, that in the blessedness of peace we should forget prejudices and partisanship and undertake to work together efficiently and persistently, supporting with all our energy that which makes for the greatness of the Republic and of its people.

And as we go forward in this effort we will surely find that so far as business is concerned, unity of action and efficient organization will prove a great instrument for helpfulness and service. It is with this sense of service that we should support it and work for it,—for better business and a grander Republic.

State Department and Foreign Trade

(Continued from page 7)

is to be as careful in protecting those countries from exploitation at the hands of our people as in protecting the rights of people who go there.

Every man who goes from this country and renders a dollar's worth of service for the dollar that he collects is sowing seed, and it will spring up and others will enjoy it; but every man who goes there and takes advantage of those people is doing as much as he can to close the door of opportunity against other American citizens.

American Example Abroad

It is more important that the American going abroad shall live up to the highest ideals than for the American at home. If a foreigner comes here and sees a bad American, the impression is lost in the fact that he sees many good Americans, and he will remember them instead of the bad one. But if one man goes abroad, and is bad, the people there have no chance to correct their estimate of America by other men.

I have found, in the two years in which I have been connected with the State Department, that the difficulties we have to contend with in these countries are largely due to the conscienceless transactions of Americans who were not a credit to the name.

We therefore ask you to help us to maintain American standards among American business men who go into these countries to help develop them. If we can send the right kind of men, men who can carry intelligence that they need for their special work there, men who can carry the knowledge that is required for that development—if we can send such men and these men do their work well and deal honestly and fairly with the people, I am sure that every one will establish a center of American influence and that that influence will spread in proportion as we live up to the estimate which our name excites.

Cooperation of State Department

I am very glad to have had the privilege of speaking to so representative a body of American business men. Anything that the State Department can do for you that is legitimate and proper it will do; and if you will show us a man under the direction of the State Department, whether he is a consul or a diplomatic officer, who does not do all he can to extend legitimate, honest trade and investment, we will give him a chance to try his hand at private business, and secure some better man to take his place.

The Federal Reserve Bank in Operation

Address by Hon. Charles S. Hamlin, Governor Federal Reserve Board

I WANT to say just a few words about the Federal Reserve Act, and I want to testify to my appreciation of the assistance that this Chamber gave to us, individually and collectively, in framing that measure.

The very words, "Chamber of Commerce" to me bring back most delightful memories of the past. For fourteen years I had the honor to be corporation counsel of the Boston Chamber of Commerce, and for many years a member of the Executive Council of the National Board of Trade; so I need only say to you that when I come here tonight to partake of these delightful festivities, I feel myself indeed at home.

If we want to know something about the Federal Reserve Act and what it has already accomplished, we must consider just for a moment the system which it has displaced. We had, as you know, about 7500 national banks in the national system, and we had 7500 independent reserves, one held by each bank, and although they were reserves—and reserves are popularly supposed to be for use in time of need—yet the strange thing about these reserves was that if a bank used them in time of need and obeyed the law it would practically have to stop doing business, and it was only the forbearance of the Comptroller of the Currency that prevented a receiver being instantly posted to take possession of it and its assets for its creditors.

That was the system, the National Bank system, which the Federal Reserve Act very shortly, I believe, will completely displace. Under that system the National Banks of the country did their regular business in discounting notes of merchants, but every note, when it was discounted, was placed in the vaults of the bank, and they were funeral vaults. Every bank was but a mausoleum for dead commercial notes, which could be resurrected only at the time of maturity, and if any venturesome bank president with ghoulish propensities took one of those notes out of the grave before maturity and discounted it, the people of the country pointed to that bank with the finger of suspicion. That was another attribute of the old system which the Federal Reserve Bank system has taken the place of.

RETIREMENT OF NATIONAL BANK NOTES

We had also a system, and we have now, of national bank currency. These notes were supposed to measure the expansion of trade and business, to expand when business expanded, and contract when business contracted. But those national bank notes evinced the strangest peculiarity. When there was a need of expansion those notes often contracted, and when there was need of contraction the notes often expanded, and sometimes, when they did expand, if they ever did follow the necessities of trade, the need for the expansion had expired before the expansion in fact had begun.

These notes are chained indissolubly to Government bonds; the national bank notes, the measure of the country's business, were chained to Government bonds, which represented the destruction of trade and commerce, and the necessities of the Government out of war and other catastrophes. In other words, my friends, the expansion of commerce and business of the 20th century was indissolubly linked to the Government bonds, the evidence of the destruction of business of the 19th century. Now, there may have been some justification for that union in the 19th century, but the Congress of the United States said that there was no justification in this 20th century, and I sincerely hope that the method provided for retiring these bank notes will prove speedy and efficacious under the Federal Reserve system.

The old system rested on the call loan. The banks had to have liquid securities. The call loan was the only liquid security, but there was a peculiarity about the call loan. When you did not want to realize on it, it was liquid, but when you tried to realize on it, it had the liquidity of solid ice rather than of water. The last time our people tried to realize on these call loans, last August, the stock exchange quietly closed up, and the call loans were frozen up, and the American people could not get at them.

Experts who have given much time and thought to banking systems have unanimously agreed that the United States Government had the worst banking system in the world, but I believe, my friends, today we can say that the United States is entitled to the best banking system in the world, and that it has got it under the Federal Reserve system.

MEASURES OF RELIEF

You are all familiar with the facts growing out of our troubles of last summer. You remember early in August the state of tension, when the Secretary of the Treasury and other officials hurried over to New York and had a conference with leading bankers. Conditions were ominous. You know the exportation of gold that had taken place, the falling off in our exports, the prohibitive rates for foreign exchange, the adverse balances of our trade, the piling up of bank reserves, banks which needed to keep only 15 per cent reserve, and should have drawn down that, piling up reserve on reserve, like Pelion on Ossa, and many of them having 75 per cent reserves against a required reserve of 15 per cent—that was the condition, not throughout the whole country, but throughout many parts of the country, that was flashed upon our view. It was the most ominous condition, I believe, that the American people ever had to face. They faced it manfully and courageously. They have established a banking system which will make such a condition impossible in the future.

Think what has happened to show the soundness of our condition, if we had only had a good banking system. In this last calendar year of 1914 we exported some two hundred and twenty-two millions of

gold, and when you deduct the imports, we exported net over one hundred and sixty-five millions; and yet that export of one hundred and sixty-five millions of gold only reduced the total stock in the country by eighty millions, because of the increase in our domestic supply, and that was a decline of only a little over 4½ per cent of the total stock of gold in the United States. I think this shows most clearly the financial power of the United States in its gold holdings, and also in its gold production.

There were other measures of relief also that were undertaken. The Secretary of the Treasury deposited thirty-seven millions of dollars to move the crops of the United States. Many men shook their heads and said "You will never get that money back. It is bad economic policy." Every dollar of that money was returned at the appointed time, and we received \$267,000 in interest.

The Secretary of the Treasury also issued three hundred and eighty millions of Aldrich-Vreeland notes. Many shook their heads and said "It is dangerous. That currency will never be redeemed." The currency was issued to the amount of three hundred and eighty millions, and there is left tonight only about sixty-two millions, and that is being redeemed just as fast as it can be sent in.

But we should not forget that the Aldrich-Vreeland Act was amended by the Federal Reserve Act, and the tax on those notes was reduced and the amount permissible to the banks was increased, so that the assistance rendered by the Aldrich-Vreeland notes was made possible only by the Federal Reserve Act.

You all remember the one hundred millions gold fund. A careful investigation was made, and we found that we owed abroad in current debts payable in gold about five hundred millions of dollars. The Federal Reserve Board and the Secretary of the Treasury appealed to the banks of the country, not to all the banks, but to the banks in the Central Reserve and the reserve cities, and we asked for a subscription of one hundred millions of dollars in gold to furnish the basis for selling foreign exchange which our people must have to discharge their obligations. How loyally the banks responded to that request is now a matter of history. They gave us more than a hundred millions in gold.

COTTON LOAN FUND

There was also the cotton loan fund of one hundred and thirty-six millions. People flouted at that and sneered at it. It was bad economy, bad economics. But the banks and the people of this country subscribed that fund, and yet only \$27,000 of it was ever used. However, my friends, it did its work. It gave the farmer the opportunity to get a long time loan if he needed it. It gave him confidence to hold on to his cotton temporarily, to prevent collapse, and although little of the fund had to be used, it will go down in history as another exhibition of loyal cooperation on the part of banks and bankers of the United States.

The Federal Reserve Act also lowered the reserves that the banks need hold. That released a very large amount of cash, and will furnish the foundation for banking operations which will justify, if needed, an increase in loans great enough to take care of any possible demand, in my opinion, on the part of the people of the United States in the near future. The Federal Reserve Act further mobilized the reserves, or a material portion of the reserves, of the member banks, and it is unnecessary to say that this mobilization means everything for the banking community. No bank any longer need keep one dollar above its legal reserve in its vaults. It knows that its reserves in the Federal Reserve banks are concentrated and ready for use. It has a powerful system of twelve banks ready to help it. It need never hold in its vaults a dollar above its reserve requirements, and if the Act permitted, it could safely pay every dollar of its reserves to the Federal Reserve Bank and simply keep enough till money to do its current daily business.

REDISCOUNTING COMMERCIAL PAPER

The Federal Reserve Act has also provided a system of rediscounting commercial paper, and those notes that I have said were entombed in the vaults of the national bank now spring to life whenever the bank wants to turn them into money. It need only go to the Federal Reserve bank, present those notes, and those notes are discounted to help the bank, or enable it to increase its loans. We have thus turned what were really dead assets into liquid assets, and assets which are really liquid and not liquid, as the stock exchange collateral, only when you do not need to use them.

The Act also provides an elastic system of currency,—the Federal Reserve notes—with a 40 per cent gold reserve behind them, and, in addition 100 per cent of commercial paper, and I believe that that will furnish an elastic currency sufficient to take care of the needs of this country in the way of expansion or contraction.

The Act also provides for acceptances by member, national banks, for the first time in their history. It has also permitted the Federal Reserve banks to discount acceptances of banks in the import and export trade, and that will mean very much to the United States. It will enable us to start at once upon financing the import trade of the United States, not to speak of the export trade.

I want simply to point out to you that every dollar contributed by the banks of this country to the Federal Reserve banks, both capital and reserve deposits, to date about eighteen millions in capital, two hundred and fifty-nine millions in reserve deposits—every dollar of that is impressed with a trust forever, for the use of the commerce, the

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Problems of Commerce and Trade

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months to come, is shut down. I can take you to another in Virginia. I can take you to a concern in Kansas City that has lying on the wharves in New Orleans nine million feet of hardwood lumber sold, which they cannot ship. I can take you to St. Louis and introduce you to a gentleman who has shipped twenty thousand barrels of flour abroad, which is stopped at New Orleans, and for which he holds a written contract at a fixed price.

OUR OPPORTUNITY AND RESPONSIBILITY

I am just going to say two things about the condition, and the remedy, by your wise and very thoughtful action, will be left to your own processes. That is all right. I have no objection to that at all. It is a wise and thoughtful thing to do. But I want you to see the truth, not the fancies, that we are now stopped, shut down, closed up, in a very large degree, at the time of our greatest opportunity, by the fact that for some reason, into which I do not now enter, there do not exist available to America the means of shipping the goods she has sold.

But there are two things I am going to say because I think they are incontrovertible and it is my duty to say them to you. I offer no arguments from them. There are two things which, without regard to what you do or what I do, American opinion will not tolerate. I do not know, and in a very small sense I do not care, what it may do to remedy them, but there are two existing things today which American opinion will not permit to exist, no matter by whom or where supported or what arguments are made for them. The first thing is this, that a steamship company shall deliberately, cynically and openly break its written contract. No one of you would do it. You would not be safe for an hour if you did. I have in my possession copies of written contracts—nay, I have looked at them, and there are no qualifying clauses, there are no war clauses; they are simple, plain, clear, and without qualification. They are ruthlessly and cynically broken.

I will tell you a story. One man had a contract for 22 cents a hundred pounds, with an agreement to ship twice a month, and he sent his goods under the written contract to the city of Baltimore. They were refused by the company that gave the contract, and he was told they might be shipped at 70 cents a hundred pounds, and they wrote him cynically—and I have their letters—calmly making the rate 70 cents, when they had agreed in writing to make it 22, and telling him that instead of two ships monthly, of which he might choose, they would give him a ship next April, and then they charged him demurrage on his goods lying on their dock.

I tell you, gentlemen, without regard to the remedy, get out of the way of American opinion when it learns those facts: and it is my duty, as charged in some small measure with providing for American commerce, to let those facts be known, and God help the man, in politics or business, who says it shall be tolerated in this country that a steamship company shall cynically do that thing which would send a railroad man to jail. You may make your own remedies. I started into this thing as an opponent of any existing measure until I learned the full truth.

CONTROL BY SHIPPING COMPANIES

The second thing is this. By what right, moral or lawful, does any steamship company say to me in my factory, when I offer them a shipment of goods, "We will select from your shipment that which pays us the most; the rest we will not take."

Try it on a railroad. Have them say to you, "We are short of cars, but we will take those goods which pay a dollar a hundred and those which pay twenty cents a hundred we will leave behind," and see what happens to the railroad when the law gets him. That is what is happening in every American seaport. Goods are flatly refused to be carried at all at any price whatever. Telegrams quoting rates at night are declared in the morning void. A rate quoted at half past nine is raised at ten, and the quoted words of the steamship company are worthless as soon as they are received. They are deliberately taking occasion now to refuse to carry at all the products of certain American industries, frankly saying that they can make more money by carrying something else. American opinion will not tolerate that, not for a moment.

Now, I am perfectly willing as a business man to meet a business condition. I am perfectly willing to grant to these gentlemen enough to cover every additional cost to which they are put. That is only honorable and fair. I am perfectly willing that these gentlemen should have allowed to them the price of delay, the price of insurance, the price of everything which honorably causes them expense, and something to boot: when a rate which existed tonight is tomorrow morning jacked up forty-five shillings a ton and in answer to a question, "What is it for?", the answer is given, "For us," I am through. Now the point is that these two conditions you may make perfectly sure are not going to be tolerated when American opinion gets on to the game. I do not care what politics a man has, his color, age or previous condition of servitude. We will not stand in this country for the right on the part of a foreign owned steamship company to select what particular portion of American commerce it will in its wisdom choose to ship, nor will we permit a foreign steamship company cynically to violate its written contract and say to a shipper who threatens to sue, "Go on; we can afford it." Now, that is the condition in this country. I have not exaggerated it. I have seen it and I have the contracts in my possession, copies of them. Those two things we are not going to tolerate.

NOT A QUESTION OF MERCHANT MARINE

Now, then, and finally, I am very much amused and very much surprised at the idea of the American merchant marine being mixed up in this particular problem that I have laid before you. I do not regard them as at all the same things. The navigation bureaus of the government are in the hands of our department. I regard the unfolding and the development of the American merchant marine as something that is going to take a good while and require many thoughtful steps. I do not propose to dogmatize upon it at all. I do not know what will solve the question of the American merchant marine. It will probably take more than one and more than two things to solve that problem. All I am now concerned with is this: That no foreign steamship company shall have the right to deprive us of our opportunity now; and what I want to get done in any way is to move the goods and to open the shops and to get the commerce going.

A PLEA FOR IMMEDIATE ACTION

I have been consulted by certain private interests. I have not had a single body "resolving" on this subject come to me to get a fact yet, no one. I have said to two or three, "When you passed your resolutions did you know those facts?" "No." I have said to several of them those things. I think there were three that were frank enough to say that they would not have passed the resolutions if they had known the truth. These private interests have come, but not one single suggestion looking toward the relief of this situation has been hinted at in the most remote form by any of them. They have asked if they would be welcome to enter the field and we have said, "For God's sake do enter." They have said, "Shall we be given a full opportunity," "Come and be welcome," they have been told, but not one single hint, remote, expressed or implied, has been given to show that any private or corporate interest would do anything to break the embargo. They have asked that I do what I could to hold up legislation, and when I have said, "What will you practically do?" some of them have replied, "We will put on ships." "On what basis?" Will you consider American commerce first and its movement as the essential thing?" Silence. I want now some representative private or corporate interest to come forward and say, "We will put ships somewhere, that will stop seventeen dollars a bale freight for cotton from Galveston to Rotterdam. I am not concerned about how it shall be done. God bless the man who will do it in any way whatever; but it has got to be done, that is all. It is going to be done somehow and it is a matter, gentlemen, not for pleasant resolving for something to take place a year or two hence, but something that is wanted now, quickly.

GOVERNMENT COMMERCIAL VESSELS

I am through except for one little thing which is my duty to correct in a kindly, courteous and considerate way. I have not any half truths to lay before you this evening, but I did have a stenographer here this afternoon who reported to me within half an hour certain things that were said. If it had been true that a loss upon the Government line to Panama was made, as was here alleged, of \$2,000,000, I doubt if it was suggested to you that it might have been charged off against a credit profit and loss balance of \$18,424,000. I hold in my hands a report up to the 31st of October of the Panama Railroad and Steamship Line. It had in bank on that date and in transit \$3,440,000 in cash. It had a profit and loss balance of \$18,424,000 from all sources whatever. I find an item "reserve for depreciation on floating equipment," \$546,152.62. The two ships which the company owns—it is not in my department, but I happened to have an interview with the vice-president of the company ten days ago and his auditor (I am telling you the whole truth so far as I know it)—the two ships which the company owns are charged six per cent depreciation per annum. That is the Cunard form and that is the White Star form. The more usual amount is 5 per cent. The Government method of charging depreciation is 20 per cent, more severe than the usual private practice. So I am told. On the two ships owned by the Canal Commission which the company uses it is not true to say that neither depreciation nor interest is charged against them. Both are charged.

From Panama and Colon the company absorbs a charge of 8 per cent per annum upon their cost, four per cent in the shape of interest charges on capital account; the other four per cent in depreciation. It is at the rate of wiping out the entire investment in these ships in 25 years, while still paying 4 per cent interest on the entire cost throughout that period. The depreciation charge has been carried out so continuously that in the case of the Alliance its value is reduced upon the factors of the company from its original reconstructed cost of \$519,000 to \$309,000, and in the case of the Advance from \$244,000 to \$117,000. And after these charges and after the charging off of an additional \$149,000 to profit and loss account, and after overhauling the vessels at a cost of \$166,000, which was charged to operating expense, the company showed a profit in the four months ending October 31st of about \$81,000.

Now, gentlemen, finally, and without the thought of controversy and in a very few words, when you go back to your homes and there ponder these things, I believe you will agree with me that the matters which I have suggested to you are intolerable matters; that this country, when it knows them—and it is going to know them—will not long continue to permit them to be. I do not care to suggest a remedy. I am open to any remedy that will remedy, and remedy quickly; but in my judgment it is the worst politics and equally bad business to get in the way of American commerce now.

Our Policy as to Investments Abroad

Address by Samuel McRoberts, Vice-President, National City Bank, New York

FROM the time that Washington first gave expression to it, until the fortunes of war transferred to us the responsibility for the Spanish colonies, it was an accepted maxim that we should leave international questions to Europe. The Monroe Doctrine was largely, but not entirely, an expression of our desire not to get entangled in foreign affairs. This teaching has lingered in the public mind and probably accounts today for the rather peculiar attitude of the average American toward foreign commerce. He considers it individual in character, and somewhat in the nature of a venture. The idea of an organized national policy for foreign commerce has never had any real grip upon our national life. Acting only upon the inspiration of necessity, we have not become a nation of foreign traders for very apparent reasons. The resources of the country have been sufficient for maintaining our international position by the sale of raw materials and food products. It has required no particular skill to sell raw materials and the necessities for other countries, and they could be sold on our own soil. We have not become investors abroad because we could make safer and more profitable investments at home. This economic condition has been, and is, slowly changing. As our population has increased and our activities have become more diversified, our desire for foreign goods has increased and our surplus of food necessities and raw materials has decreased. These changes have in equal ratio created our need for a foreign market for manufactured articles with which to maintain our balance of trade. Our interest in the matter has grown just as our necessity for the foreign trade has grown, until, in a perfectly orderly manner, we have arrived at the point where we have begun to organize and create the essential machinery for a commerce in competition with the older manufacturing countries. So far we have acted, with apparent reluctance, upon the spur of necessity only. The unexpected and unbelievable war in Europe has brought the great opportunity to the foreign trade of this country,—not to dispossess and occupy the places left temporarily vacant by our warring brethren across the sea, but to complete and establish permanently the institutions and principles requisite for foreign commerce. Half of the trade of the world has, temporarily at least, been cut loose from its moorings. Much of South America with no buyer for its products or no facilities for their financing and shipment, the enormous German trade in Russia suddenly offered to the neutral world, have undoubtedly aroused the imagination of this country. The half-time laborer in the idle mill, noting the feverish activity in a neighboring plant working on an export contract, begins to see the significance of foreign commerce to domestic affairs. No situation could be more favorable for bringing about a full recognition and understanding of not only the necessity for foreign trade, but the opportunity in foreign trade; for breaking down the distinctions between foreign trade and domestic trade existing in the public mind; for the establishment of a great constructive national policy that will demand that no product be sold abroad that has not first been brought to the highest state of manufacture, and will solidly support merchants, manufacturers, and governmental policies to that end.

The subject has not been without its prophets, and we have come to recognize that the essential machinery consists of capital, our own banking facilities and ocean transportation, and governmental cooperation. Capital we have, abundantly sufficient to carry on such commerce, though attention should be sharply drawn to the fact that we are still a debtor nation, and investment abroad is not warranted—should, in fact, be vigorously discouraged, unless such investment is directly in the interest of our foreign commerce. Banking facilities are still lacking, although practical provision has been made in the new Bank Act for their establishment, and the work has been begun. The United States merchant marine is still a mentality, but threatening to materialize. The sharp necessities resulting from the European war have so forced this question upon the public that more progress has been made in the last few months than in as many previous years. The public is beginning to understand the question, and it is interesting to note that at last somebody has had the courage to point out that a reform of navigation laws enabling a ship to compete with those under other flags is more vital than government aid or government ownership. Definite proposals are being made and there is strong prospect that a beginning will be accomplished. But given these essentials, the machinery is still incomplete and useless without a definite and continuous Government policy to give permanence and stability to it all.

Relation of Government

The requisite Governmental relation is two-fold; First: Government cooperation in opening new markets for our trade through the consular service, commercial attaches, and other Governmental agencies, operated either by the State Department or the Department of Commerce and Labor; Second: Diplomatic intervention for the purpose of creating entirely new opportunities for American commerce or the protection of established trade and investment against discrimination, injustice and confiscation.

The first is merely a stimulant and aid to individual initiative. How powerful and useful it can be is clearly shown by even a casual examination of what has been accomplished through this means by the English and the Germans. For example, take Sir Edward Grey's proposal, made last August, of a plan for capturing the trade of Germany and Austria. It required the collection by Government agents of samples of all goods previously offered by those countries throughout the English colonies and neutral territory, for the inspection and study of English manufacturers, that they might be in the best possible position to supplant them with goods of their own. This serv-

ice is being expanded by our Government in a practical manner, and will no doubt keep pace with the development of our commerce.

The second function of government is of far greater importance, and involves far-reaching questions. It is, in fact, the foundation upon which any comprehensive program for foreign trade must be based. The security of the right of property and the enforcement of equal justice is essential to any commerce. The pedlar upon our streets quickly abandons his efforts and disappears if the policeman is prone to look the other way when the street urchins are pilfering, or is too fond of bananas himself. Uncertain titles result in untilled lands. We all know how quickly business at home shrinks from anything in the least tending to take away the private right in property—a right that was considered so fundamental to our civilization that it was secured to the citizens of this country by the constitution itself. The chief activities of the police power of the Federal and local governments are expended in preserving intact this right to the ownership of property, and any effort to violate it is unhesitatingly suppressed, even at the cost of life. Now ought there to be any question that a citizen investing in the instrumentalities of trade in foreign lands, purchasing property and securities and making contracts in the furtherance of our commerce, or even in building up a good-will for his particular goods and business in some other part of the world, should not be promptly protected in his rights in case they should be threatened through failure of government, injustice, oppression or confiscation? Is there any hope that this work abroad will ever be carried on, under competitive conditions, unless there is certainty of such protection? These questions do not concern us so much as to our trade in Europe and the more advanced countries of South America, but there is a large section of the world where they are vitally significant. In the Orient, in the Caribbean, in the northern part of South America, in Mexico, we have the opportunity to do great constructive work, and by so doing win a place of our own in the future commerce of those lands, just as England did in India or the Argentine, under even more difficult conditions. The uncertainty of protection stands squarely in the way. If you want to do anything in these countries, the standing advice is to "get under the English, French or German flag." As long as a question can be raised as to the property rights of Americans in respect to investments made outside of the territory of the United States, our foreign commerce will languish. Nothing beyond sporadic efforts will be made. Capital and the life efforts of many men are required. Capital is timid, and naturally wants to stay at home. It can only be coaxed over the border. Men will not risk their life work and hope of reward upon uncertainties. No broad and comprehensive campaign will be possible without the same certainty of support and protection that is afforded by the foreign offices of every world power but our own. This defect in our foreign policy can only be remedied by a wider and clearer understanding of the whole question and the resultant action of public opinion.

Settled and Dependable Policy

What we need is a settled and dependable policy, and under our form of Government no policy can be constant unless based upon a compelling public opinion. That we have wise and courageous men at the head of our government does not suffice. Four years is as a day in the life of a nation, and effort is wasted as long as it is possible to have one foreign policy on March 3rd and another on March 4th. Furthermore, our public men are necessarily limited in their activities by how far the country can be induced to follow them, and we must recognize that limitation. You need not talk to more than a half-dozen men on this subject before being confronted with such questions as "Are we going to send good Americans into foreign countries to be shot just to protect somebody's investment?" "Are we going to incur the risk of a war for the sake of a little trade?" "Are we going to turn our navy into a collection agency?" These questions may express a narrow point of view, but they are too frequent and too significant of the general trend of thought not to make any Secretary of State consider how far he can go and still preserve his usefulness. From the first all efforts to improve the consular service and make more effective all governmental agencies for disseminating information as to foreign markets and trade customs have met with a hearty approval from the general public, and the development of these governmental aids has consequently been continuous and more or less constant. But when any action looking toward the aid of commerce through a plan of state that might involve this country politically with any foreign power has been proposed or instituted, the American public has balked and the plan has failed. Washington's admonition in his farewell address stands as our foreign policy today. He said: "The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible. So far as we have already formed engagements, let them be fulfilled with perfect good faith. Here let us stop." That very aptly expresses our public opinion on the question today. The American public was willing to support Secretary Hay's policy of an "open door" and equal opportunity in China, but when Secretary Knox followed with the most ambitious plan ever undertaken by American diplomacy, which consisted in actually putting some one through the open door and firmly placing the United States in the Orient, because it meant meeting the world on the Pacific and surrounding ourselves with political obligations and responsibilities in the manner of European states, the American public would not follow him, and the plan almost wholly failed. Secretary Root's Pan-American policy met with public approval as long as it

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The Federal Trade Commission

Address by Hon. Joseph E. Davies, Commissioner of Corporations

THE problem of the relation of business to industry is world-wide. The principle of the Sherman Law is not confined to the United States alone.

Wherever there is a conscious attempt at popular self-government, the world over, there will generally be found a legislative attempt to destroy the power of monopoly. The republic of France, the governments of Canada, Australia, New Zealand, the South African Union, all make monopoly or attempts to monopolize, crimes against the state.

This is so because private monopoly is the denial of freedom, which self-governing peoples demand. It is the negation of democracy. Monopoly is monarchy. Political equality is a farce, if industrial freedom in opportunity is denied. Unless the latter obtains, the former will be throttled and translated into political absolutism. The forms of the criminal and civil statutes, the machinery for the enforcement of the law, may differ with the character of the peoples of the various countries; but the conscious legislative attempt to destroy monopoly, as a menace to freedom, is present wherever government is immediately responsive and subject to the control of its subjects.

That is the significant fact in a survey of world-wide evolution of industry and its relation to government.

Methods of Regulation in Foreign Countries

The machinery of government, by which the destruction of monopoly and the regulation of competition is sought, varies. In Austria, France and England it has been left to the courts. In Canada the judicial processes have been supplemented by a procedure which, upon complaint of persons injured, permits the question of attempted monopolization to be investigated by a temporary commission appointed by the court. In New Zealand it has been left directly to the courts, with the power vested in the Governor, in council, to reduce the customs duties forthwith, to restore competition, if necessary to destroy local monopoly. It remained for Australia in 1912 to create an interstate trade commission, with a character of permanency and of expert qualification, and with broad investigating and quasi-judicial power, to investigate conditions, to enforce the laws regarding commerce and to aid Australian industry.

Regulation in the United States

For twenty-five years in the United States the governmental machinery employed has been investigation by general legislative commission or administrative officers and the instituting of court proceedings by the Department of Justice. Under conditions of gigantic change in the economic and financial structure of society in this country and the world, the manner in which the courts have performed this arduous function, involving technical and economic knowledge of vast extent, will constitute a monument to the resourcefulness and commanding ability of the American Judiciary.

In recent years, however, there has been evolved a new agency for executive and quasi-judicial function in government, designed to give greater resiliency and freedom of action, and to afford relief that is more speedy, informal and direct, which within constitutional limitation seeks to avoid the law's delays, and to fit the remedy to the wrong. It was in consonance with this development that the conception of the Federal Trade Commission was advanced. The need of the business community for such a governmental agency in this matter was voiced by the overwhelming vote of the associations of commerce, that constitute this national body, in favor of the creation by law of a Federal trade commission. The idea has been advocated directly or indirectly by men of all political parties; and has been urged by Attorneys General, economists and publicists. It remained, however, for the President of the United States to give such impetus to the idea as to translate it into an enactment of law. The language employed by the President in his message to Congress declares the need so clearly and forcefully, and withal furnishes such insight into the possibilities of this instrument, that I shall repeat it here:

"And the business men of the country desire something more than that the menace of legal process in these matters be made explicit and intelligible. They desire the advice, the definite guidance and information which can be supplied by an administrative body, an interstate trade commission.

The opinion of the country would immediately approve of such a commission. It would not wish to see it empowered to make terms with monopoly or in any sort to assume control of business, as if the Government made itself responsible. It demands such a commission only as an indispensable instrument of information and publicity, as a clearing house for the facts by which both the public and the managers of great business undertakings should be guided, and as an instrumentality for doing justice to business where the processes of the courts or the natural forces of correction outside the courts are inadequate to adjust the remedy to the wrong in a way that will meet all equities and circumstances of the case."

The Federal Trade Commission Bill was enacted into law by practically a unanimous vote of both Houses of Congress, and was signed by the President September 26, 1914. The general features of this law are familiar to you by reason of the very strong and able report upon this matter prepared by your committee and referred to your membership with the referendum vote conducted by your Association.

By this law there is to be constituted a nonpartisan body of men, of business, economic and legal experience and training. Not more

than three shall be members of any single political party. The term of seven years, and the successive expirations of the respective terms ensures continuity of purpose and that there shall be finally applied to this problem the judgment and experience of a body of business men of trained and specialized knowledge, who are designed not only to bring an understanding of the theoretical and economic and legal questions involved, but as well a sympathetic appreciation of the practical difficulties and troubles of industry, together with a comprehensive perspective of the industries of this country and the interests and welfare of the general public who are affected most by these conditions. It is the logical, scientific and efficient way of meeting the situation.

Powers of the Trade Commission

Generally speaking, the powers with which the Trade Commission is clothed are of two kinds: investigative powers and quasi-judicial functions. There is nothing new, novel or unprecedented or of an inquisitorial character in the investigatory powers conferred. The powers previously exercised by the Treasury Department, by the Secretary of Commerce, by the Interstate Commerce Commission, and by the Bureau of Corporations in obtaining facts with reference to banks, navigation laws, railroads and corporations, furnish abundant precedent for this delegation of power. Corporations are the creations of the State, and it is manifestly right that the government, which created these instruments, should be permitted to obtain such facts with reference to their conduct as to be assured that the interests of the people who constitute the State are not harmed by their actions.

Clearing House for Facts and Information

The Trade Commission is empowered to gather information with reference to the organization, business, conduct and practices of corporations; to secure this information by reports such as it shall prescribe; to classify corporations and to make public, with due regard to the protection of trade secrets and lists of customers, so much thereof as is necessary in the public interest. By this means a great body of useful and correlated information may be gathered to furnish perspective to government and to business. There are 314 different classes of industry, according to the classification made by the Director of the Census. Through reports of this kind there will be available information as to the nature and character of each of these industries, the degree of centralization in each, the dominant financial control, the degree of integration, their interlocking relationships, their respective difficulties and problems, their position respectively with reference to foreign trade, and other facts, all of which may be gathered together for affording to a disinterested government agency, seeking only to public good and interested only in the public welfare, knowledge of and a general view of the whole make-up of the industry of the nation, with reference not only to the financial and legal, but as well to the economically helpful, aspects of the situation. Here, then, is created that which, in the language of the President of the United States, is "an instrument of information and publicity as a clearing house for the facts by which the public and the managers of great business undertakings should be guided." The justification of the Commission will be found in large measure by the extent to which the assembling, digesting and interpreting of these data shall develop into constructive aid to business enterprises of the country, and to the extent to which it will render service in giving a broad sympathetic and accurate basis for the action of this governmental agency in the discharge of its functions in the service of the general public.

Upon the direction of the President of either House of Congress, the Commission is authorized to investigate and report concerning any alleged violations of the antitrust acts by corporations, and whenever a final decree has been entered against any corporations in a suit to restrain violations of the antitrust acts the Commission is authorized to make an investigation of the manner in which the decree is carried out, and, in case the investigation is made upon the application of the Attorney General, the Commission will transmit a report of its findings and recommendations to the Department of Justice, and publish such report in its own discretion.

Disinterested Expert Business Opinion Available to the Courts

The law further provides that if, in any suit in equity brought by the Government under the antitrust acts, the court is of the opinion that relief should be granted, it may refer the matter to the Commission as a master in chancery to make recommendations for an appropriate form of dissolution decree. Thus there is placed at the disposal of the courts the expert business knowledge and experience of a disinterested government agency, which is familiar not only with the conditions of the industry in the particular case at bar, but which will have as well, in the course of time certainly, not only a broad understanding but also special information regarding the economic business and industrial conditions—all of which will be available in the aid of the courts, not only to the advantage of the litigants, but as well for the protection of the general public. This is the translation into law of the suggestion, contained in the message of the President of "an administrative commission capable of directing and shaping corrective processes * * * * in aid of the courts."

To Bring Business Into Harmony with the Law

The Trade Commission Act provides further that upon the application of the Attorney General an investigation of the business of any corporation alleged to be violating the antitrust acts may be made, and that the Commission shall make recommendations for readjustment

which shall bring it into accordance with the law. In the administration of the Department of Justice there has grown up, in connection with trust cases, a practice which may be described as the entry of "consent decrees." It is a situation wherein the Department of Justice in the enforcement of the antitrust laws consents to a settlement of the suit by prescribing what it shall require in the judgment or decree to be entered by the court, and wherein the defendants thereupon go into court and enter their formal consent to the entry of such judgment or decree as has been agreed upon. This method of accommodation of business to the requirements of the law contains within it possibilities for great good and equally great possibilities for disastrous harm. It has been used with the greatest of care and discernment by the Department of Justice in the past, and it is but natural that it would be used generally with a great deal of reluctance. Independent of the commanding abilities or the judgment of the Attorney General, the responsibilities involved are such as would necessarily cause a single executive officer to pause in the exercise of such power. By the foregoing provision of the Trade Commission Act there is provided an additional agency available to the Department of Justice for bringing into harmony with the law the business practices of corporations. The Trade Commission furnishes a nonpartisan body of men familiar with the whole field of industry to which matters of this kind may be referred for investigation, examination and recommendation. By reason of its nonpartisan character and by reason of its technical knowledge it may be assumed that the recommendation of such a body would fortify the judgment of the Attorney General in the estimation of the public, would relieve a single individual from the imposition of such a responsibility as this process necessarily involves, and might be productive of great good in the accommodation of business to law in the changing forms of our economic and legal development. This situation contains the suggestion of promise of a body of administrative law being built up which would be of great aid to business and of service to the country. It is a distinct contribution to the suggestion contained that the forces of correction should be adequate "to adjust the remedy to the wrong in a way which will meet all the equities and circumstances of the case."

Investigation of Foreign Combinations

Much has recently been said in connection with the applicability of the Sherman Law to foreign trade. It has been maintained, with much vigor, that the principles of the Sherman Law should not be applied to business in this country that is engaged in foreign trade and in the extension of our foreign markets. In support of that contention it is urged that combination through a common selling agency is necessary in the foreign market in order to meet the competition of European cartels and other combinations of sellers in the markets of the world; that the small producer and manufacturer in this country can not extend his markets into a foreign field except through a common selling agency, because of the prohibitive cost involved; that if the inhibitions imposed by the Sherman Law be placed upon combinations engaged in foreign trade in the United States it would operate to the serious prejudice of small producers and to the distinct advantage and benefit of trusts, which can afford and do establish substations in distant parts of the world; that the reasons for the Sherman Law do not obtain in foreign countries and in foreign trade because in an international market, competition is secured for the benefit and advantage of the buyer through international contest for the market. On the other hand, it is urged with powerful force that to permit combinations for foreign trade in this country would furnish a very convenient and ready vehicle for the easy violation of the Sherman Law at home, contrary to our public policy, and to the serious disadvantage of our citizens. This phase of the controversy is a comparatively new one, and is fraught with great importance. The information on this subject is sparse and largely based on hearsay. What is necessary in the situation are the facts, and the Federal Trade Commission is entrusted with the duty of investigating in foreign countries, combinations and other trade conditions which may affect the foreign trade of the United States. Undoubtedly, in conjunction with the Department of Commerce and with the Department of State, a large amount of information can be obtained which will give authoritative information as to the facts which will enable the law-making power of the Government to address itself to the problem with greater security and confidence.

Quasi-Judicial Functions of the Commission

Both in the Trade Commission act and in the so-called Clayton act certain important provisions of declarative law are enunciated, and the authority to enforce compliance with these declarations is vested in the Federal Trade Commission.

Unfair methods of competition.—In section 5 of the Federal Trade Commission act itself the following very important provision of declarative law is stated:

That unfair methods of competition in commerce are hereby declared unlawful.

The act provides that the Commission is empowered and directed to prevent persons, partnerships, and corporations, except banks and certain common carriers, from using such unfair methods of competition, and establishes the procedure by which this may be done.

In addition to the substantive provisions contained in the Federal Trade Commission act with reference to unfair methods of competition, the Clayton act contains certain prohibitions, the enforcement of which is confided to the Federal Trade Commission as to corporations under its jurisdiction. The provisions of the law are very minute, and only the broad features are specified herein.

Price discrimination.—Section 2 prohibits, in certain cases, price discrimination where the effect may be to substantially lessen competition or tend to create a monopoly in any line of commerce.

Tying contracts.—Section 3 prohibits, in certain cases, so-called "tying contracts"—that is, contracts whereby, as a condition of sale or lease of commodities, the seller or lessor exacts from the purchaser or lessee an agreement that he shall not use or deal in other commodities except those furnished by the seller or lessor—where the effect may be to substantially lessen competition or tend to create a monopoly in any line of commerce.

Holding companies.—Section 7 prohibits, in certain cases, so-called "holding companies," or the ownership by one company of the stock of another, where the effect may be to substantially lessen competition between the companies concerned, or to restrain interstate commerce, or tend to create a monopoly.

Interlocking directorates.—Section 8 provides that two years after the enactment of the law so-called "interlocking directorates" shall be prohibited in certain cases, and in particular with respect to corporations having more than \$1,000,000 capital stock and surplus, other than certain banks and common carriers, wherever they are or shall have been theretofore, by virtue of their business and location of operations, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the antitrust laws.

Enforcement of the prohibitions of the Clayton act.—The authority to enforce the foregoing provisions of the Clayton act is vested in the Federal Trade Commission as to all corporations which come within its jurisdiction, by section 11 of the said act.

Nothing could more clearly indicate the degree of discriminating care which the committees of Congress gave to this legislation than the phraseology of the Trade Commission act and the Clayton act with reference to these prohibitions.

Protection to Moderate-Sized Business

Unfair methods of competition have been the chief weapons of monopoly. It is generally conceded that one of the greatest menaces to relatively smaller industrial units is to be found, not in the superior efficiencies of the larger rival, but in their being able to employ unfair methods to destroy a competitor by local price cutting under cost, or similar unfair practices. Some of the most powerful monopolies of the world are alleged to have obtained their dominance by their ability to throttle competitors, equally efficient but less able to bear this strain involved in withstanding attacks of this kind. An industrial unit of reasonable size may, by reason of the personal equation, favorable location, or other and similar advantages, be equally or more efficient than its monopolistic rival, but may be quite helpless if the monopoly be permitted to crush it by an unfair use of its power. This is of especial significance to the business of the country because probably not one per cent of the three hundred odd thousand corporations in the United States have attained to a size which would approximate a monopolistic character. The great body of the business community is interested in the preservation of the channels of trade and commerce free and open. The "rules of the road," which preserves the right of the Ford as well as of the high-powered motor car, must be enforced, and a government agency is designed for just this function in the channels of trade in interstate commerce, in the creation of the Federal Trade Commission. Not since the Sherman Law itself has been enacted has there been so important and beneficial a piece of legislation in the interest of the great body of business men of this country as is to be found in the prohibition of unfair methods of competition. It may be true, as some allege, that some of these practices are already prohibited by the first three sections of the Sherman Law, but there is also strength in the position that the agency for preventing these practices is usually invoked only after a very large number of practices can be proven to exist, under a blanket petition in equity, or under an indictment that alleges not an isolated act, but a series of acts constituting a conspiracy in restraint of trade. In such a situation there is too much danger that by the time the remedy is applied the patient should be in a very weakened and dangerous condition. Here is an agency that has been designed, as has been said, to destroy the very seeds of monopoly in their germination, rather than to permit them to develop into a vigorous and rank growth which will throttle the healthful upshoots in the industrial field.

Procedure in the Enforcement of the Law

Briefly stated, the procedure in the enforcement of these substantive provisions of law declared in both the Federal Trade Commission act and the Clayton act, as recited above, is the following:

Whenever the Commission believes that any person, etc., has been using unfair methods of competition or violating the provisions of the Clayton act, and that its intervention in the matter would be to the interests of the public, it shall serve a notice on the party complained of, who shall have the right to appear before it and show cause why an order should not be made to require that such practices cease. Other parties, for good cause shown, are allowed to intervene in the proceeding. On hearing had, if the Commission shall be of opinion that the practices are prohibited by the act, it shall serve an order on the person complained of to cease and desist. If such person fails to obey the order of the Commission, the latter may apply to the circuit court of appeals to enforce the same, and file a transcript of the record in the case. The court shall then take jurisdiction of the proceedings and have power to affirm, modify, or set aside the order of the Commission, but the findings of the Commission as to facts, if supported by evidence, shall be conclusive, and no additional evidence is permitted to be adduced without again referring the case to the Commission for a rehearing. The only review of the judgment and decree of the court is by writ of certiorari to the Supreme Court, as provided

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Commercial Organizations and the Government

Address by Dr. E. E. Pratt, Chief of Bureau of Foreign and Domestic Commerce

THERE is one great difficulty in Government work and that is to bring about definite, practical action. For example, a confidential report comes in from an American consular agent stating that there are opportunities for the investment of capital in a certain part of the world, say, for instance, China. Now, how is this information to be translated into action? How can this particular agency of the Government actually bring about the investments which will extend our foreign trade?

Lack of initiative, routine, precedent, red-tape, and dependence on superiors have all contributed to make a Government bureau, like the Bureau of Foreign and Domestic Commerce, a sort of a strong room where information valuable to the business world is hoarded and battled back and forth between various officials and may, if the system slips a cog, get out after its timeliness has long since departed.

It is our sincere aim and ambition that the Bureau of Foreign and Domestic Commerce may give out quickly and effectively every iota of useful trade information. The chief function of this Bureau is to promote business—American business—just as it is the function of the Department of Agriculture to promote agriculture. And, by the way, it may interest you to know that Uncle Sam spends about \$20,000,000 annually in promoting agriculture and about \$500,000 in promoting commerce.

If William Smith, farmer, of Podunkville, finds his sheep dying from some unfamiliar disease he appeals to Washington. At once notable specialists are sent out to assist him. But if John Jones, the employer of hundreds of men and a manufacturer of reed furniture, suddenly finds that on account of the European war his supplies of raw material are cut off, he gets cold comfort from Washington on being informed that there is no money left to send a man to develop new sources of raw materials in the Philippines.

The most difficult task of the Bureau is to accomplish these definite, practical tasks which are coming up every day. And this is our definite object. In order to facilitate action and in order to bring the service of the Bureau closer home to the business community, eight branch offices have been established.

BRANCH OFFICES TO REACH BUSINESS MEN

These offices have not been established for the purpose of duplicating the work already done in Washington, nor is it our purpose to attempt to do the work already well done by local commercial organizations. The function of these branch offices is to stimulate foreign trade, to encourage manufacturers and exporters, to instruct them and to prevent blunders which they are prone to make, and to take up and to push to successful conclusions plans for promoting foreign trade which have been initiated abroad or in Washington. These offices are the eyes and ears, the nose and mouth, and indeed the fingers, of the Bureau at Washington. Without these branches the Bureau would have to depend on the ineffective printed page or typewritten letter which too often finds an untimely grave in the wastebasket. The managers of the branch offices give the Bureau a personality in their respective communities.

But perhaps I ought to pause a moment to say a word as to what the Bureau really is. Not long ago I visited a commercial organization in a comparatively large city, and after considerable search found one publication of the Bureau, which the Secretary didn't know existed. Many business men, some of them here perhaps, are about in the same boat. They do not appreciate the value of the information which we are distributing.

In the main, this information which is distributed by the Bureau of Foreign and Domestic Commerce comes from three sources:

1. From American consuls, of whom there are about three hundred located in all parts of the world.
2. From the commercial attaches recently appointed by the Department of Commerce, who are stationed in ten of the commercial capitals of the world.
3. From commercial agents who are experts on special lines of business and who have roving commissions to go into certain parts of the world and study the market for American products in that locality.

All of this information comes together in Washington and is distributed by various means. "Commerce Reports," formerly the "Daily Consular and Trade Reports," are published every working day and contain a large part of this information. Special monographs, giving the results of special investigations conducted by the agents of the Bureau, are not less important. And finally, there is the personal contact not only between the managers of the branch offices and the business community, but in the visits of commercial attaches and commercial agents to the principal industrial centers of the country.

You are, I expect, asking yourselves certain questions. Is this information of real value? Has anybody ever sold any goods as a result of it? You are the judges. Let me read you what some of you have written.

From the Buffalo Steam Roller Company, Buffalo, N. Y.

"As the result of such service we are in receipt of an order for road building machinery for Honduras amounting to over \$1500.00.

J. F. RICHARDSON,
Export Manager."

From the Foundation Company, New York City.

" * * We were fortunate enough to secure the contract for the foundations of the bridge in New Brunswick to which you refer. We are now at work constructing the foundations of the bridge.

F. REMINGTON,
President."

From Glogau & Company, Chicago, Ill.

"We just delivered to a Russian House \$2500.00 worth of merchandise, and it cost us only 7¢ to get the order as name was given us by you some time ago. Your Department does more for us than all the foreign trade papers where we advertise. Thank you.
GLOGAU & COMPANY."

An export company advises that through a name and address connected with a "Foreign Trade Opportunity" announcement, published about three months ago, they have secured an order for ten safes. The order comes from Maracaibo and the cash payment is in New York, the safes to be shipped on the next "Red D" Line boat. The company in Maracaibo has taken the agency for the safes and it is expected that good business will result. The company has secured business sooner or later from about 20% of the inquiries received through the Daily Consular and Trade Reports. They are doing business with a concern in India, which amounts to about \$3,000 a month. This connection was made through the "Opportunity" service. They are also getting connections in Costa Rica, which were made in the same manner.

From the International Steam Pump Co., New York City.

"We might take advantage of this occasion to state that we find the assistance rendered by your Bureau of very great value, indeed, in securing orders from foreign markets for our products.

"In fact, your reports, etc., have become so much a part of our work in developing export trade in our lines, that the lack of same would be felt at once as a very distinct loss.

D. J. GIBSON,
Manager Foreign Dept."

From the Hess and Hopkins Leather Co., New York City.

"As a result of following up this inquiry we have taken a nice initial order from Messrs. Sofaer and Co., Rangoon, British Burma, and have excellent prospects for a good future business.

HESS AND HOPKINS LEATHER CO."

From Reed and Barton, Taunton, Mass.

"You will be pleased to hear that upon writing to the importer in Guadeloupe referred to under the above number, we received from him an important order accompanied by a substantial remittance in advance, although we did not stipulate such terms.

R. F. MACKENDRICK,
Mgr. Foreign Department."

From the Triumph Safe & Lock Co., Connersville, Indiana.

"You will probably be interested to know that we have today received an order for two safes from Syria as a result of a foreign trade opportunity published in the Daily Consular and Trade reports. We are also in receipt of an order for shipment to Bolivia. This order also resulted from a Foreign trade opportunity.
THE TRIUMPH SAFE & LOCK CO."

Among the various large orders in which the Bureau has taken part, and in each of which the aggregate sales approximated a million dollars, were the following:

- Coal handling plant for the port of Durban, South Africa.
- New arsenal for the Chinese Government.
- Equipment for the construction of a Japanese railway in Formosa, and
- Battleships for South American countries.

But the Bureau at best can do only a very small portion of the work in breaking the soil. The manufacturer must do the most of it. The commercial agent may indicate the general opportunities, but he cannot get the basic material for the business of each one of you.

But now I come to the most important point which I will make in this address. The Department of Commerce is planning a departure from precedent, a breaking down of some of the barriers which have unfortunately existed between Government and Business.

Heretofore much of the information relating to foreign trade has been jealously guarded in the high places of the Department. We now propose to place it at the disposal of any commercial organization which is ambitious enough to use it.

We propose to make any commercial organization which has a separate division or which appointed a man whose duty it is to promote foreign trade a definite part of the Bureau's work. We are willing to cooperate definitely with that organization, and to furnish it with every bit of information, confidential or restricted, which we would send to one of our regular branch offices. There is absolutely no doubt but that the local commercial organizations have an influence and an entree in a community that we cannot hope to acquire for years to come.

But there is another reason for our cooperation, and that is because at present we are both wasting a good part of our energy in trying to do things which are well nigh impossible. We are trying to reach the man on the job, the export man, and help him to improve his trade and widen his market. You are trying, with limited resources, to gather information by hook or crook and, as a consequence, are duplicating our work and are too often getting stung when you attempt to gather original data. Essentially, we propose to wholesale the information and we propose to let you retail it.

Let us take an example in order to show how this would work out in practice. This is a case which recently came to my attention. One of our commercial agents traveling in South America, cabled us. This is the cable:

"State Government, Bahia, Brazil, requests cable quotations c.i.f. for 1,000 tons high-grade Portland cement, in barrels. Terms, cash on delivery. Immediate shipment by steamer desired. Add 10 per cent for agent's commission. Cable Ottens, Bahia, Brazil. Souza Vianna Company, Bahia, Brazil, requests quotations by cable on automobile tires for French and German cars; size 105

millimeters by 815 millimeters in diameter. Business, 100 monthly. Terms, cash on delivery. References, Bahia banks. Agency also desired for automobile accessories. F. X. Guedes Pereira, Pernambuco, Brazil, desires permanent arrangement with an American film company for supplying two theatres. Panama Canal scenes are especially desired. References, any bank in Pernambuco. Cable quotations desired."

This cable was sent from Rio de Janeiro at 7.58 A. M. on December 31, and arrived in this office shortly after nine o'clock in the morning of the same day. Before eleven o'clock telegrams had been sent out to the principal business concerns in the United States interested in these products. Later in the day, no fewer than three confidential circulars were printed and distributed to 1482 business houses all over the country. Now we had gone in this matter about as far as we could. Just at this point the commercial organizations can take up the work. What needs to be done is to arouse the interest of the men who can actually do the business. I am afraid that too often our information doesn't get beyond the office boy. A live man in charge of a foreign trade bureau of a commercial organization can in a few minutes on the telephone or by personal visits get certain people in his community interested in these opportunities and, in this way, build up their export business and at the same time vitalize and put into action the information distributed by the Bureau. The commercial organization thus takes up its natural function for which it is so well fitted,—that of vitalizing and putting into action the information which we receive and distribute.

NEED FOR LARGER APPROPRIATIONS

If effective work is to be done by the Bureau and if the United States is in earnest about developing its foreign markets, we need larger appropriations to carry on this work. There are great sections of the world which are not now included in our scheme of commercial attaches. For example, Japan, India, Africa, Malaysia, the Near East, Canada, Mexico, Central America and Scandinavia. There is only one man appointed for all of Russia and Siberia. One man has all of Australia and New Zealand. Another man finds in his territory France, Belgium, Spain, Portugal and Italy. Our force of commercial attaches should be doubled. Then again there are whole industries which are as yet untouched by our investigators; the hardware industry, the chemical industry; the whole field of mining and natural resources, and the very important field of the investment of capital. Then there is domestic commerce, for which we have done nothing. We have even found it necessary to discontinue the publication of our meager figures on internal commerce. We have manuscripts of great value piled up in our files waiting to be edited. We have hundreds of inquiries unanswered and hundreds more, I regret to say, perfunctorily answered for lack of adequate staff. There are hundreds of opportunities which we ought to follow up. All of these things demand greater resources for expansion.

The work of the Bureau of Foreign and Domestic Commerce can only succeed with the help and criticism of business men. They have stood aloof and have known little of its work. But the fault has been partly our own, because we have not endeavored to bring the usefulness of it to the attention of the business community. On the other hand, the business men have in a way doubted the work of the Bureau.

An interesting commentary on the change of attitude, not only on the part of the business community but on our own part, is exemplified in the growth of work in the New York Branch Office. During the week of November 28 the office had 131 callers asking for all sorts of information relative to foreign trade. Last week the office had 299 callers and found it difficult, in spite of the fact that its staff had been enlarged to keep up with the rapidly increasing number of inquiries. During the week of November 28 the office received 562 inquiries by mail. Last week they received 1,480.

Only a few weeks ago I heard a prominent exporter in New York say that he had never made use of the Government service and never expected to. Recently I saw several letters which he had written to the Bureau asking for information. A large part of the correspondence which comes to the New York office comes from export commission houses, which are supposed to be experts in the export field. And yet they are willing and anxious to get the information which is distributed by the Bureau through its branch office in New York.

It remains for us to make this work efficient and to pay dividends on the money invested in it by Congress and the people of this country.

SPECIAL QUALIFICATIONS NECESSARY

One of the difficult problems, however, is to find men who are properly qualified and who can afford to work at the salaries which we can afford to pay. You may say, and we have received many letters of criticism and suggestion along this line, "get practical men." But I add one thing to the practical man. He must be a man who can report the things which he finds out. The very best practical man who could not write up what he had learned would be of little value to us. It is extremely difficult in the United States today to find men who have a command of one or more foreign languages and who know definitely, concretely, and practically if you will, one line of industry or one kind of business, and who are able to report the observations which they make. If you know of any such men, please send them around.

Let me say, finally and most emphatically, that this Bureau of Foreign and Domestic Commerce is in a very peculiar sense *your* Bureau. It belongs to the business men of the country. It is dedicated to your service, and if it has not always been what you would desire, I am inclined to believe that it is because you haven't interested yourselves sufficiently. We welcome your criticisms and suggestions. It is through them that we can make progress. Let us cooperate.

The Federal Reserve Bank

(Continued from page 25)

business and the agriculture of the United States, and eternally divorced from the stock markets of this country; and every dollar of Government deposits which will be made in these Federal Banks is imposed with the same trust for the commerce, the agriculture and industry of the United States.

NO INTERFERENCE WITH BUSINESS

This vast transfer of capital and reserve deposits many thought would cause trouble in this country. They said "You cannot do it without calling in loans. You cannot do it without drawing on the reserve agents, and there will be trouble and confusion." Essays, almost books—volumes—were written to show the certainty of disaster the moment it was tried to transfer the capital and the reserve deposits of these banks. But you know what history shows. The truth is, history does not show anything, because there was not the slightest confusion, there was not the slightest interference with business, and everything went so smoothly that it would be hard to find a history in the future that would tell you, indeed, how smoothly the whole transaction was accomplished.

But there, again, the banks of the United States followed the advice of the Federal Reserve Board. We said to them "Gentlemen, you have had released reserves, you have spare cash, you have spare gold. We want you to make those payments out of the gold in your vaults and not draw on your reserve agents, for that might cause confusion. Furthermore, we want you to pay those reserve deposits in gold. We do not want any other kind of money. You have to pay your capital, anyway, in gold. Now, take the gold for your reserve deposits out of your vaults and turn it into the Federal Reserve banks." Almost every bank in the United States complied with that request, and today the Federal Reserve banks have their capital deposits of eighteen millions, their reserve deposits of two hundred and sixty millions, or thereabouts, almost entirely in gold or gold certificates, and it will be only a few years, in my judgment, when you will see the greater part of the gold supply of the United States massed in those Federal Reserve banks, and then let any commercial panic that wishes try to lay its footsteps in the United States. The minute it looks at those vaults and sees that gold, it will fold its tent like the Arab, and that panic will silently steal away.

As yet there has been little recourse to the Federal Reserve Banks. But that is because there is no necessity for it. But in a few months you will see the demand for discounts increase, as well as the demand for Federal Reserve notes, and you will see that great system in full operation.

FUNCTIONS OF FEDERAL RESERVE BANK

What are the functions of the Federal Reserve Bank? Some say that it is purely an emergency bank, never to be resorted to except in times of dire distress. Others say it is an ordinary commercial bank, to compete all the time with the other banks of the country. My friends, the truth lies between those extremes. It not only has the duty to meet emergencies, it has an equally strong duty to prevent emergencies before they can occur, and while ordinarily it is not supposed to compete with the member banks of this system, yet in case of any necessity, where the just needs of the people of the United States demand such action, it has ample power to go into the open market and either buy or sell, at will, to protect the interests of the people of the United States.

I wish I had time to talk about discount rates. They have been steadily falling since the Federal Reserve banks were organized. Commercial rates also have been steadily falling, and I wish I had the time to show you that that fall was caused primarily by the operations of the Federal Reserve system.

Some of the bankers occasionally say: "We do not believe these banks can earn their dividends or pay their expenses." They base that belief on the fact that in the first few months of this great system the member banks have not called on them for discounts, and that they have not as yet made enough money, perhaps, in some instances, to pay their expenses or to pay dividends.

What does a railroad accomplish in the first few months after its organization? Would any ordinary bank be supposed, two months after it has been brought together, to be earning a handsome rate of dividends on its capital? My friends, I want to express here the most positive conviction that every Federal Reserve Bank in the country will easily meet all its expense and pay its dividends, six per cent to its member banks.

Other banks say that they cannot do business with the Federal Reserve Banks, that they have not any commercial paper, and that the law is so harsh that they have nothing they can rediscount. If a bank president says that to you, ask him to examine his portfolio, and if he cannot find in the portfolio a large amount of paper discountable at the Federal Reserve Bank, his duty is to call his directors together and at once change the policy of his bank.

I believe the Federal Reserve system is giving the United States one of the best and soundest financial systems in the world. It is built on the theory of the greatest good to the greatest number. Under it, the Federal Reserve Board is charged with the great responsibility of protecting the people of this country in their business transactions, and it will exercise its powers by fixing the discount rate for Federal Reserve Banks so that the interests of the people will be protected.

I make the prediction here tonight that the new banking system will quickly be recognized as one of the best systems in the world, and that ultimately it will make the United States the very center of the world's financial exchanges.

The Dyestuff Situation and Its Lesson

Address by Arthur D. Little of Boston

MANUFACTURERS of American flags are in no immediate danger of having to rely upon Cape Cod cranberries for their red or California skies for their blue. Nor is it probable that our textile manufacturers generally will be forced to adopt the suggestion that we utilize our native rainbows to supply the tinctorial requirements of their industry. Six months ago the situation was different. You could have sold rainbows by the foot. The people generally and even the consumers of dyestuffs awoke at the first declaration of war to the long patent fact that the industries of these United States are dependent upon Germany for their supplies of coloring matters, synthetic drugs and many other highly necessary products derived from coal tar. A situation which had been eminently satisfactory to consumers for many years suddenly appeared humiliating and intolerable when the embargo first threatened to cut off supplies. There were insistent demands for the immediate inauguration of an American coal-tar color industry to relieve the situation and render impossible its recurrence. It was to be established by changing the tariff and the patent laws and letting somebody else find the money. Government ownership of dyestuff plants was not considered seriously because there were no German plants interned.

With the lifting of the embargo and the resumption of shipments by way of Rotterdam most of the humiliation disappeared while now there is even a growing disinclination upon the part of textile manufacturers to let the other fellow find the money—and make those essential changes in the tariff. The situation nevertheless remains one to cause concern and involves many factors which are worthy of your serious consideration.

ORIGIN OF COAL-TAR COLOR INDUSTRY

All the world knows that during the last fifty years a sweeping revolution has been effected in the art of dyeing. The vegetable dyes like logwood, fustic, sumac, madder, indigo and many others, the few animal dyes like cochineal and the relatively crude mineral pigments have all been displaced completely or in greater part by the products of synthetic chemistry after a record of tinctorial service extending back to the days of Genesis. The coal-tar color industry which began in 1856 with the discovery of mauve by an English boy of eighteen, known later as Sir William Henry Perkin, soon took root in Germany where it has attained its present great development and delicately adjusted organization mainly through the genius of a few and the plodding industry of many German chemists, the far-sighted courage of German financiers and the technical and business sagacity of German managers. It is in a very real sense a created industry brought into being by the reaction of intellect upon the black chaos of coal-tar. It is peculiarly a German industry and its products for the most part may justly and proudly bear the legend "Made in Germany."

Contrary to popular belief the products of this industry have displaced the old vegetable dyes because they are better, brighter, faster, easier of application, cheaper and incomparably wider in color range.

With our textile and paper mills, paint and varnish manufacturers, makers of printing inks, and many minor industries thus definitely committed to the use of coal-tar dyes it is not surprising that the sudden prospect of a dyestuff famine should have occasioned grave concern. At the outbreak of the war the textile mills were generally credited with having not more than five months' supply on hand. The other industries concerned were probably less fortunate. For a time the German embargo on dyestuffs prevented shipments and stocks were rapidly depleted. Through the persistent, earnest and capable efforts of American representatives of the German manufacturers shipments have been resumed under some restrictions but with reasonable regularity. The German plants are running at about 60% capacity and distribution of their product is regulated by the Government through the Society of Dyestuff Manufacturers. The basis of allotment is said to be 75% of the 1913 consumption distributed over monthly shipments which must go forward in American boats. There is little doubt that to prevent reshipment to the Allies it is the German policy to keep our own mills in a chronic state of dyestuff hunger. As a result many mills are now running from hand to mouth, others claim to be provided for three months and a few for a somewhat longer period on certain lines of colors.

CONTINUED SCARCITY OF CERTAIN DYES

As a result of the close inter-dependence of the coal-tar dyes and coal-tar explosives industries there has been a practically complete cessation of receipts of such dyes and developers as require for their manufacture nitric acid or raw materials derived from coal tar and available for the production of explosives. Such materials for example as toluol and carbolic acid.

The acid blues and acid blacks largely used in dyeing woollens are already scarce as are also most yellows and oranges and a wide variety of blues and greens. Paranitraniline, used in connection with pigment red in poster work is practically out of the market and it may be said that pigment workers generally find themselves in an especially precarious condition as to dyes.

Nitro developers are cut off entirely and beta-naphthol is obtainable only at prices which are almost prohibitive. Within a fortnight a large gingham mill has purchased 1200 lbs. at \$1.50 a pound, as against a normal price of 9 to 9½¢.

In this connection it is only just to point out that the German manufacturers and the agents and importers here have handled the difficult and abnormal situation created by the war in a spirit of great fairness. They have prevented stocking up by greedy consumers, they have apportioned supplies impartially on the basis of past consumption

and they have shown remarkable restraint in the matter of prices. The present average advance on obtainable colors is about 25% based on a 10% increase in factory price and higher insurance and freights. In some cases the advance is 35-40%. There is every prospect that with the diminution in the supply of raw materials prices will go much higher in the near future. There is a compensating, though somewhat remote, possibility that the manufacture of nitro dyes and developers may be resumed as the German government has subsidized the construction of two large plants for the manufacture of nitric acid from the air and these are expected to come into operation during the present month.

VEGETABLE DYES RETURNING TO FAVOR

In the face of the present emergency the textile mills are resorting wherever possible to the old vegetable dyes and are already making free use of logwood and fustic. As a result these woods and their extracts have experienced a marked advance amounting in case of fustic to 100%. Paper mills are endeavoring to confine their product to natural and white papers or those which are tinted rather than deeply colored and all consumers are husbanding their color resources with the utmost care and adopting make-shifts wherever possible. It is gratifying to note that in these efforts they have the cordial and effective cooperation of the laboratories and technical staffs of the great importing agents.

In 1913 the average dividend paid by German dye-stuff factories was 21.74%. The actual earnings were much greater and have sufficed in the past to provide sinking funds to cover the entire costs of development and plant. Few industries in the United States can make so good a showing. It seems reasonable therefore to inquire why we should endure indefinitely the present hardships and why we should not have a coal-tar color industry of our own which should supply our wants without let or hindrance from Germany. There is but one answer to these questions and but one consideration to restrain us. We can have such an industry whenever we are prepared to pay the price but is it worth that price?

GERMANY'S COAL-TAR COLOR INDUSTRY

The coal-tar color and explosives industry as developed by Germany is probably the most highly organized of any industry in the world. Starting with less than a dozen crude raw materials as benzol, toluol, anthracene, naphthalene, carbolic acid, etc., derived from coal tar it builds up by complex chemical processes which often involve elaborate and expensive plant and the most rigid scientific control of operating conditions more than nine hundred separate ultimate products and over three hundred intermediates so called, or over twelve hundred products in all, some of which cannot be turned out commercially in quantities much over 100 lbs. The whole system of production depends for its commercial efficiency upon the close correlation and inter-dependence of these many products. The industry is self-contained. It makes its own crudes and converts its own wastes into raw materials for new processes to be applied to them by itself. The adjustment of the economic balance is so close that a slight change in the value of some one product may disarrange whole processes and affect disastrously many products. Obviously, therefore, at this stage of its development the industry must be considered as a whole if any effective competitive development in this country is to be attained. The situation is not unlike that now existing in our packing industry, where by rougher methods indeed but on a far greater scale the entire raw material is utilized in a complex series of related products which are individually profitable only because of this relation to the others.

Twenty-two factories are involved in the German dyestuff industry but by far the larger portion of the business is in the hands of four great companies. The industry as a whole is bound together by trade agreements and cooperative arrangements which add greatly to the efficiency of production.

A few figures regarding one of these companies are instructive. For transportation within the plant it utilizes 42 miles of railroad. Its water works supply 10 billion gallons yearly and its ice factory 12,000 tons of ice. It has four hundred steam engines, five hundred electric motors, nearly as many telephone stations, and 25 steam fire engines. It has a frontage on the Rhine of one and a half miles and handles sulphuric acid in tank steamers. Seven years ago it employed 217 chemists, 142 civil engineers, 8,000 workmen and a commercial staff of 918. Perhaps even more important from the present point of view of the American business man is this significant statement published by this company.

"On looking back upon the successes which the Badische Anilin und Soda Fabrik has achieved since its foundation the management feel it to be their pleasant duty to remember gratefully the benevolent and appreciative support which their efforts have always met at the hands of the State authorities."

Within the last few weeks Dr. B. C. Hesse of New York, who combines in a remarkable manner the functions of the chemist and statistician has brought together many figures which bear upon our present problem and which give some indication of the price which we must pay for an American coal-tar color industry.

The world's production of all coal-tar dyes is substantially \$100,000,000. The annual turn over of the German plants is about \$80,000,000, and the plant value on various estimates not far from \$400,000,000. It will be noted that the relation of plant investment to output is extremely high, being \$5 to \$1. There is one works chemist to every \$80,000 of output and about 50,000 employees in all. The total export value of the German product was about \$55,000,000,

which was distributed among 33 countries. China takes four times as much German indigo as the United States consumes. The average wage in the industry was 4.80 marks inclusive of boys, common labor and skilled labor. The average men's wage was 5.85 marks or \$1.40, which is brought by bonuses and social service to the equivalent of \$1.84. The gross average export value of the 912 dyes produced is \$61,405 each, or excepting a very few of the most important the corresponding figure for the remaining 900 or more is \$40,811. Dr. Hesse has characterized the German coal-tar color industry as "just about a one nation business" and on this showing I would ask you if Dr. Hesse is not right.

It is nevertheless an industry which has been replete with romance and with great achievement. The synthesis of alizarine for example gave a death blow to the cultivation of madder of which 45 years ago the annual production was about 500,000 tons. Synthetic indigo upset the social economy of whole regions in India, and made available for raising food great tracts of land before devoted to the cultivation of natural indigo. These triumphs of organic chemistry unquestionably reacted throughout the entire range of German industry and did much to convert the nation to the cult of science upon which its extraordinary efficiency in material affairs is based. These considerations, coupled with the industrial miracle of the genesis of the rainbow from so unpromising a material as coal-tar enable the coal-tar color industry to make a peculiarly powerful appeal to the imagination. We would be justly proud had we developed it ourselves.

AMERICAN COLOR INDUSTRY ESTABLISHED

We have in a sense had a coal-tar color industry in this country for thirty years which has failed to take deep root or flourish even under the protection of a 30% tariff and during the very period when the German industry under the far greater stimulus of organized and persistent research achieved its greatest technical and commercial triumphs. There are to-day four plants in the country and they make perhaps 15% of the total American consumption but confine themselves to less than 100 products. They hold out no promise of extensive increase in production without government assistance to the extent of a 30% ad valorem duty plus 7½ cents per pound specific and an effective anti-dumping clause. In this connection it might be pointed out that from 1880 to 1883 the ad valorem duty was 35% with 50 cents specific. The present duty is 30% on colors and 10% on intermediates with synthetic indigo and alizarine colors free. Under it probably not more than 17 of the 912 German dyes are completely fabricated in this country, the remaining 83 of the 100 types claimed as American products are merely developed or "assembled" here from intermediates obtained from Germany. Were our own manufacturers to secure the entire American business it would amount to only about \$10,000,000 annually, a little more than the candy sold by the Woolworth Stores.

COAL-TAR PRODUCTION IN THIS COUNTRY

Since the United States now produces 125,000,000 gallons of coal-tar annually it may here be pointed out that the country already possesses a coal-tar industry as distinguished from a coal-tar color and explosives industry, and that the coal-tar industry as such has been developed here to an extent unthought of in Germany. An average tar yields 70% of pitch and only 6% of materials useful to the color industry. In Europe the pitch is commonly used for fuel. In the United States upon the other hand over 90% of the pitch is utilized in roofing, waterproofing and road making, while the creosote oil and naphthalene find other profitable and well-known applications.

The plain underlying reason why we have been unable during thirty years of tariff protection to develop in this country an independent and self-contained coal-tar color industry while during the same period the Germans have magnificently succeeded is to be found in the failure of our manufacturers and capitalists to realize the creative power and earning capacity of industrial research. This power and this capacity have been recognized by Germany and on them as corner stones her industries are based. As a result the German color plants are now quite capable of meeting the demands of the whole world when peace is once restored. Why, then, should we duplicate them only to plunge into an industrial warfare against the most strongly fortified industrial position in the world. Let us rather console ourselves with a few reflections and then see how otherwise we might spend our money to our better advantage.

OUTPUT OF GERMAN COLOR INDUSTRY

The gross business of the Woolworth 5 and 10¢ stores in 1913 exceeded the entire export business of the whole German coal-tar color industry by \$11,000,000. The sales of one mail order house, Sears, Roebuck & Co., in the same year were far greater than the total output of all these German color plants and its last special dividend is about twice the amount of their total dividend payment in 1913. The Eastmann Kodak Company with about twice the capital of the largest German color company, the Badische, and with a government suit on its hands, earned during 1913 net profits of over \$14,000,000, or 230% on its preferred stock and over 70% on its common, while the Badische with "the benevolent and appreciative support" of the German government earned 45%. In that year the entire German industry paid \$11,000,000 in dividends. The Ford Motor Company with one standardized product does a greater annual business than all the German color plants with their 1200 products and earns four times their combined dividend while paying three times their wages.

Now that our perspective is adjusted let us consider for a moment some of the things which might be done with the vast expenditure of effort, money and research required to establish in this country this "one-nation" industry.

OUR WASTE OF NATURAL RESOURCES

We should first of all review our own almost boundless natural resources and especially should we consider our gigantic and shameful wastes. They offer opportunity for the ultimate development of a score of industries each of a magnitude comparable to the color industry of Germany and for the almost immediate upbuilding of hundreds of smaller enterprises relatively no less profitable. We waste for instance 150,000,000 tons of wood a year, a billion feet of natural gas a day, millions of tons of flax straw at every harvest, untouched peat deposits fringe our entire Atlantic seaboard, beehive coke ovens flame for miles in Pennsylvania wasting precious ammonia and excite no comment while the burning of a \$1000 house would draw a mob. The whole South is a reservoir of industrial wealth untapped in any proper sense. We have heard these things so often that we can go to sleep while hearing them. We need to really sense them, to get before our consciousness a clear conception of what they actually mean in terms of wasted wealth and present opportunity. When we do this, and there is no better time than now, let us apply the lesson of the German coal-tar color industry to these far greater problems and solve them by the compelling agency of sustained, intensive research.

To take one illustration only, the application to the lumber industry of the South of one-tenth the research energy and skill which were required to bring the coal-tar chemical industries to their present proud preeminence would unquestionably result in the creation of a whole series of great interlocking industries, each more profitable than that of lumbering. The South would be in position to dominate the paper market of the world, it would transport denatured alcohol by pipe line and tank steamer, make thousands of tons a day of carbohydrate cattle feeds, reorganize and develop along new lines and to far better purpose its languishing naval stores industry, and find new opportunity at every hand. To do these things in one industry and many things as good in other industries requires only a little faith, sustained, courageous effort, and the appreciation by American financiers of the earning power of research.

Resolutions Adopted

(Continued from page 2)

to ascertained facts, and should exclude recommendations unless called for.

Federal Trade Commission Committee

We appreciate the magnitude of the task committed to the Federal Trade Commission, the benefits that may result from hearty cooperation between the Commission and the commercial interests of the country and the certain detriment sure to arise from an attitude of indifference or opposition.

We cordially approve the suggestion of President Fahey to appoint a committee to carry this spirit of cooperation into effect and we express the hope that this voluntary committee representing the business interests of the country may come to occupy a relationship toward this Commission not unlike that providing for the Advisory Council under the Federal Reserve Act.

Commercial Statistics

WHEREAS, The lack of reliable statistical data concerning the materials, entering into the production of many basic industries, together with the absence of reliable figures relating to the marketing and consumption of same, is responsible to no small degree for unsatisfactory conditions which at times prevail; and

WHEREAS, Among the causes of such conditions, unsatisfactory and injurious to both capital and labor, the most important is overproduction due to lack of adequate statistical information; therefore, be it

RESOLVED, That the Chamber of Commerce of the United States of America urges Congress to increase the appropriation for the Department of Commerce and to instruct said Department to gather, compile and make available such information to all such industries as rapidly as the machinery for the work may be created efficiently.

Presented by group of organization members in District No. VI.

Industrial Efficiency

WHEREAS, No legislative enactment should have as its purpose interference with the development of industrial efficiency; and

WHEREAS, No legislation should infringe upon those high principles of American life which pledge to every American a right to obtain reward for merit because of superior ability, and no legislation should have as its result the impairment of individual ambition by leveling and restricting the rates of compensation; and

WHEREAS, Limitations upon the expenditure of appropriations may be so framed as to have the effect of general legislation in their enunciation of a policy of government; and

WHEREAS, This Chamber has already by referendum vote among its membership expressed its opposition to an analogous limitation placed in the Sundry Civil Appropriation bill upon an appropriation for the enforcement of the antitrust laws; therefore, be it

RESOLVED, That the Chamber of Commerce of the United States of America in Annual Meeting assembled urge the Senate and the House to reject the so-called Deitrich amendment to the pending bill which makes appropriations for the Army in so far as this amendment seeks to prevent the study of methods to increase industrial efficiency in manufacturing establishments of the Government and to forbid additional compensation to employees as reward for improvement in skill and effort.

Trade Expansion and the European War

Address by Edward A. Filene

Vice-President International Congress of Chambers of Commerce

FOR the first time in our history the United States as a nation not only really desires and needs a larger foreign trade, but seems willing to pay the price for it in hard study, planning and fundamental work. But this desire and need comes at a time of most extraordinary conditions all over the world, and can be satisfied only by new and extraordinary methods. Therefore if we cannot find and use such methods we shall fail eventually, and although we may make temporarily an apparent success, the net result will be great losses for all but the exceptional few.

New machinery for making foreign trade must be found and tested, and this machinery must be better than any employed by our competitors of other countries. Happily the business men of this country are renowned for their ability to scrap outgrown machinery and to invent new.

Having in mind the need of new methods I shall in this brief address deal only with them and the broad fundamental conditions and principles which underlie them. I shall leave out the mass of statistics which this subject usually produces, and often properly requires.

Effect of the War

In the first place no foreign trade can be established with any country in the world except as there are buyers in that country who have sufficient buying power. On account of the great world war that is going on, this buying power is seriously threatened not only in the warring nations but also in the neutral nations. Even before the war began, in every important country of the world it had been reduced by the high cost of living, which had been mounting so fast as to become a serious burden. This high cost of living will inevitably be largely increased by the cost of war; for even if that cost is capitalized, the interest on it will add very heavily to the burdens of every citizen in every warring country. And if the settlement of this war is such that Europe remains an armed camp and every nation must strain itself to the utmost to keep its armaments effective as compared with those of its rivals or enemies, there will be added to that increased high cost of living the enormous additional cost of the increasing armaments.

That will curtail the buying power of all the warring nations and may limit the purchases of the masses practically to the necessities of life for many years to come. Countries suffering from such conditions can offer but poor markets for trade expansion, however good our planning for such expansion be. More than this, their curtailment of buying power must react so strongly upon the other countries of the world, upon South America and Asia, for example, as to make these other countries also poorer fields for our trade expansion than they would otherwise be.

It becomes apparent at once then that great exertion and great expense for foreign trade expansion must be accompanied by at least equal exertion to make the terms of settlement of the present great war such that Europe will not remain an armed camp. I am not here to make a theoretical peace argument; I have never belonged to a peace organization in my life. I am here as a business man presenting to business men the fundamentals of permanent trade expansion.

As responsible business men we should ask ourselves:—What can we business men do, what can the United States do, to help bring about the right terms of settlement of the war? The question is of course difficult to answer. The great nations of the world are locked in deadly struggle, and this struggle is so fierce that at present there seems to be no opportunity for any outside interference, however well intended. Moreover, there is apparently no chance of peace being made on any terms within the near future. From my study on the spot I am convinced that any fighting government that attempted to make peace now on any terms conceivably acceptable to their enemies, would perish under the wrath of their citizenship, who would fear that the great sacrifices they had made were not to result in the indemnities and other advantages that they had hoped for.

The warring nations, then, will not propose terms of peace until exhaustion or victory comes. The neutral countries, although they are seriously affected and suffer seriously from the effects of the war, can have but little hope that any proposals they may make will be acceptable now. Tentative attempts in this direction have failed. The danger is, therefore, that peace will eventually be made by the warring nations alone and through the same diplomats who were not able to prevent this devastating war. If that happens it is almost inevitable that the terms of settlement will carry the seeds of the next war, leave Europe an armed camp and will keep the whole world for years to come so impoverished that few if any countries will be profitable fields for trade expansion.

Nation-Wide Discussion of Peace Terms

Fortunately, however, in the United States all the warring nations are represented by great numbers of men who were either born in one of those nations or are the immediate descendants of such people. If therefore the business men make it their business to bring about a nation-wide discussion of the terms of settlement and the principles underlying more permanent peace, I believe that we can get results. At first there might be confusion, errors in the discussion, and naturally racial prejudice. But gradually a better understanding of the fundamental principles, rights, and possibilities involved will come and the discussion will attract the attention of all the parties to the strife in Europe. They in turn will be tempted to communicate through their compatriots in this country something of their own attitude

toward the settlement of their differences. We will find, I believe, that the ideas in the minds of the German people, of the French people, of the English people, of the Austrian people, and the others will filter through to their representative groups in this country. More than this I believe their governments will in this way use this country as a laboratory in which to test the probable reaction of their own and their enemies' countries as to different terms of settlement, a thing which they regard as impossible in the warring countries at present. From all this there will grow up in the masses of people in this country and in all other neutral countries a comprehension as to what terms of settlement are fundamental for a more lasting peace, and I believe that comprehension will also filter through to the masses in the warring countries. When the terms of settlement come to be agreed upon, this knowledge and the will for more permanent peace that it produces, will help to make a settlement that will not only be the basis for a greater and more permanent prosperity and happiness for the inhabitants of the warring countries, but will also have a large part in making the whole world a better field for trade expansion.

May I add a word of warning? If the United States is to have any direct influence finally in the terms of settlement of the war, such influence will depend largely on the confidence the warring nations have in our fairness and justice. This will be tested most largely by whether we play the game fairly during this war. If the warring nations come to believe that we are selfishly exploiting the war, we shall have little influence with them, and as I have said a bad settlement will make Europe an armed camp and among other great evils diminish the buying power of the world. We must play the game straight and not hit below the belt—not try to take unfair advantage of the present export trade helplessness of any of the fighting nations.

Fundamental Factors

But granted that the war is finally over and the terms of settlement have been such as will at once or in time make all the warring and all the neutral nations better fields for trade expansion yet there are other fundamental factors that must be rightly dealt with before any important permanent trade expansion can be ours.

It is by scientific study of such fundamentals, by industrial and vocational education, hard work and very thorough organization of national and international business machinery that the Germans have won for themselves one of the foremost places in the world of commerce. The other great exporting countries also have done similar work in varying degrees. These qualities will not be extinguished by the war. On the contrary the necessity of rehabilitation after the war will make them redouble their efforts for foreign trade.

While, therefore, we may be able to greatly increase our exports during the next two or three years, the outlook is that after the warring nations have ended the war and re-established their producing organizations the competition for the world's markets will be fiercer than it has ever been before in the world's history. Moreover, some of the warring countries, if not all, will be obliged to get this trade at whatever price they can and will undersell us. Even then they will be able to make profit because labor will be forced to accept lower wages and employers a lower scale of living than their competitors.

Ocean Carriage

Of the fundamental factors that must be made right the first and obvious is ocean carriage. I shall not, in addressing an audience of business men, attempt to prove what they already know—namely, the basic influence of ocean carriage over foreign trade. As a general truth on goods made and sold in this country the market price includes the proper cost of transportation whatever it may reasonably be, and generally speaking rises and falls in a manner to absorb this cost of transportation without necessarily diminishing the profit either to the producer or the middleman. On goods we export, however, the market price is the world's market price and any excess in the cost of transportation must as a rule be deducted from the price the producer can get; and this deduction under ordinary circumstances affects not only what he exports but also what he sells at home.

Evils similar to those formerly complained of in railroad rates may occur in ocean carriage. For instance, there may be understandings, conferences, combinations, which lead to the formation of great shipping trusts. Those trusts may have practically monopoly power. Under these monopolies rates may be unjust and excessive and rebates may be given to large shippers which may tend to bring forth other monopolies, that is monopolies of buying and selling. Ports may be unjustly discriminated against, and extraordinary speculation in the prices of commodities made possible.

Mr. David Lubin, an American, the founder of the International Institute of Agriculture, which is a very successful institution collecting, reporting and making common property the statistics of quantities and prices of the world's staples, which is done by important representatives of this and other leading countries has stated this latter point as follows:—"Ocean rates are an important factor in the formation of the world's price for commodities. The chief directors of the few shipping lines have it in their power, therefore, by federating their efforts, to raise and lower the prices of staples in any of the principal ports of the world, by lowering or raising the cost of carriage. In this manner they lower the cost of the product and buy; then they raise the cost and sell, and pocket the difference."

The same reasons, therefore, which held good for the regulation and control of railroad rates by an interstate Commerce Commission likewise hold good for the regulation and control of ocean carriage

through an International Commerce Commission. Indeed such an International Commission has already been discussed by the International Institute of Agriculture. Our business men need not be in fear of such a commission. Investigation would show that fixed reasonably profitable rates for ocean carriage would give them what they most need,—a basis of rational calculation on which to make offers to buyers in foreign countries. This would also be more profitable to shippers than the present wasteful method.

Banks and Foreign Trade

The next foundation stone for trade expansion must be laid by the banks. If we are to really get what we want in foreign trade we must have at least as good facilities as our rivals have. The first and most necessary of these are financial facilities.

Our banks should do pioneer work in establishing, financing and promoting our foreign commerce, at least to the extent which the English and German banks have done. In this work the banks should take the broad and statesmanlike view rather than let questions of immediate profit rule. Moreover, there are excellent reasons why it should be done not by individual banks but by all the banks or groups of banks acting in co-operation, or at least by the co-operation of all the banks of a region or of a city. But if any of the banks are unwilling to co-operate the other banks should be encouraged to do this work and helped to reap the reward for their initiative and courage, a reward by the way which is likely to include a very much increased claim on domestic banking business.

First of all, branches and subsidiary banks should be established, the first consideration being the opportunity to develop American commerce in the new territory.

The primary work of these banks is of course the day-to-day financing of both our import and our export business through various forms of acceptances, etc. Being on the spot in these foreign countries they will know local conditions much better than heretofore, and as a result one of the great hindrances in the past to the proper development of our export trade will practically disappear,—namely, the lack of data for the giving of such proper credits as the buyers have been able to get from our competitors in these markets. There are, however, a number of other services of great value which they can render. For instance, they are often in even a better position than our government officials or producers to obtain timely information regarding important contracts, works and government orders about to be awarded; and they are therefore able to be of great assistance to American firms which are seeking such awards. They can also bring to the attention of foreign purchasers American firms, and to the American firms desirable representatives and possible customers in foreign countries. It is not to be expected that foreign banking houses will consistently and as a matter of policy grant to American firms these facilities.

Given then proper fields for trade expansion, proper ocean carriage and proper financing, there still remains what is ordinarily considered the only thing necessary for foreign trade—the selling of the goods in foreign markets.

Joint Action by Trade Associations.

Although there are notable exceptions where individual concerns have created important foreign markets for their products, experience has taught that all foreign trade that is in really worth-while quantities and permanent, must be obtained by cooperation of business men; and this is based on the fact that the markets to be conquered must be thoroughly studied. Moreover, they must be continuously watched and restudied if the trade is to be retained. Such study and investigation is too costly for all but a few exceptionally large concerns. Personally I believe it is not the best method for even such firms to work alone, because a market laboriously earned may be ruined by commercial misdeeds of irresponsible or fraudulent home competitors or even by the ignorance or carelessness of honest firms.

It seems to me, therefore, that the best method for the investigation and conquering of foreign markets is that it shall be made for each trade by its national trade organization, by which almost every kind of business in this country is represented. I mean that such trade organizations shall send the ablest representatives they can procure into foreign countries to investigate, study and organize the markets. All the information they obtain and all the help they can give should be common to all members. In this way they will be of very great help, because the possibilities of foreign trade for each member of such organizations will be greatly increased if as the result of the work of the organization the class of goods they produce are sold abroad by the United States instead of by other countries. Concisely I mean that it is for the best interests of any exporting member of a trade organization that he and the other members of this trade organization shall together sell a foreign nation the great bulk of their needs in his line, rather than that he himself shall sell a satisfactory quantity to such a nation and the rest of this nation's wants be supplied by competitors of other nations rather than by his fellow members of his trade organization.

Insurance of Contracts

In order to bring this about, I propose another new machine. That is, that these trade organizations, or insurance companies created by them, shall insure the contracts for deliveries of goods that they sell. What I mean is this: Every man who buys a bill of goods from the United States should get with the purchase an insurance policy which will insure his getting within the agreed-upon time the quantity and quality up to sample of goods he has ordered, or else an agreed-upon indemnity which will make up for the loss which the failure to fulfill the contract may have occasioned.

Connected with this should be a system of arbitrating on the spot any differences that may arise between buyer and seller. As the insurance company would have the right of recourse to the producer,

the cost of such insurance would be comparatively trifling and could be paid without any hardship.

Quality Stamp

As an additional piece of machinery which would give us a better chance to win our share of the world's markets against the very able English, German and French competitors, who now largely possess them, I suggest that each National trade organization create and own a copyrighted quality stamp. This stamp attached to the goods should guarantee to the consumer who buys them that they are of the standard quality fixed and described by tags or other means on the goods they are about to buy. Exporters desiring to use this stamp would have to agree to observe the standards and conditions of its use, and also give a bond. For any material violation of the conditions, an offender would be subject to a forfeit equal to his bond and probably also lose the privilege of the stamp. Since the stamp will be a valuable selling aid, no exporter will be willing to put in jeopardy his right to use it.

Resume

In brief I have tried to show:—

1. A method by which we may help make more certain a settlement of the war on a basis which will not leave the world an armed camp with ever-increasing armaments but which will result in a more lasting peace and be a basis for the greater and more permanent prosperity of the inhabitants of the warring countries, thus increasing and not diminishing the buying power of the world.
2. The necessity of just and stable conditions of ocean transport, and a possible method to insure them.
3. That a very important part of the pioneer work for trade expansion must be done by American banks and bankers. If they are willing to take the risk of such pioneer work they are entitled to the practical support of our business men and of our government.
4. A type of new machinery by which National trade organizations can very greatly increase the power of all their members to acquire foreign trade.
5. An improved instrument which will insure to foreign buyers that they will get the goods they have ordered at the time they have ordered them, or else a substantial indemnity.
6. Finally, I have indicated a quality stamp which will give to the ultimate consumer assurance that the American goods he buys with this stamp are reliable and trustworthy.

It may seem to some that this is over-elaboration of the preparations necessary for permanent trade expansion for the United States, and yet I am forced to believe that as careful a study as I have indicated must be made, and these methods or better ones applied in order that the attempts to secure foreign markets on a large scale for our manufactured goods may be successful.

The help and cooperation of the government in the way of enabling legislation and in other ways will also be necessary. I have not dwelt on this phase of the work because the business men of this country are now organized so efficiently through the Chamber of Commerce of the United States and there is such confidence felt by government officials in this great organization that I feel sure all needs in this direction will be foreseen and met. I have faith in the efficiency and ability of the business men of the United States—a greater efficiency than I can describe without seeming to flatter men who least of all want flattery. I have faith in the fundamentally effective organization which they have created in the Chamber of Commerce of the United States. I must and do have faith, therefore, in the coming great and permanent expansion of the export trade of the United States.

Upbuilding of Our Merchant Marine

(Continued from page 21)

5th. We strongly recommend that Government license to operate shall be taken out by all lines, domestic or foreign, engaged in shipping between ports of the United States and other countries.

6th. We recommend amending the law for mail carrying purposes, the speed of first and second-class steamers being lowered and adequate compensation provided.

Your committee believe that the entire country is now aroused and that they desire this great national question settled by prompt Government action to restore our maritime power. This stain on our national escutcheon, this menace to our commercial advancement and prosperity, this danger to our nation's greatness, and source of weakness in case of war, this cause of irritation and loss of pride to every man that loves his country, this almost unexplainable position, by reason of our unparalleled success in other directions, should be swept aside, so that no longer shall our national progress be retarded. Our people wish to see the Stars and Stripes again fly proudly on every ocean, and in every port, and the right of our merchants to control our export and import commerce again realized for the protection of American industries. Until this comes about our people will not rest content, nor should they, if we still possess that national pride left to us as a proud heritage by our forefathers.

WILLIAM HARRIS DOUGLAS,
Chairman.

JOHN A. PENTON,
LUDWIG NISSEN,
BERNARD J. ROTHWELL,
H. A. BLACK,
THOMAS L. STITT.

Report on the Maintenance of Resale Prices

Presented by Paul T. Cherington, Chairman of the Committee

OUR appointment as a committee dates from the action of the Board of Directors on October 20th, 1914. Between that date and this time has been so short that we have felt it wise to confine our activities merely to trying to state as clearly as possible some of the simplest aspects of the problem of maintenance of resale prices.

We have chosen to give our entire attention to some of the main aspects of the maintenance of resale prices as it affects the producer, the wholesaler, the retailer and the consumer of merchandise, identified as to source or origin, patented or unpatented for voluntary purchase sold under competitive conditions. We have eliminated from the discussion necessities, articles monopolized wholly or in part and merchandise not sold under trademark or other means of identification.

Within this field it is clear that the choice is not between the maintenance of resale prices and the old practice of price-higgling or the free and direct operation of supply and demand influences, but the choice lies between the maintenance of resale prices and what is known as price-cutting. Prices for the classes of merchandise under consideration are in a large measure standardized and the costs of making and handling this type of goods are based upon these prices.

We have accumulated a large amount of evidence on this question within our chosen limited field. Part of this evidence has come from the American Fair Trade League which is avowedly in favor of the maintenance of resale prices, but which has accumulated more evidence on the subject than is available elsewhere. Part has come from manufacturers' associations, wholesalers' associations and retailers' associations, who also are interested in the maintenance of resale prices. Part of the evidence has come from trade papers. We have endeavored to secure evidence from those who favor price-cutting but those who are sponsors for this practice have not responded as freely as have those who are advocating the restoration of price maintenance.

We have attempted to digest this material and in this digest to give due weight to the evidence and arguments available on both sides. We are obliged to confess that the arguments presented in favor of price-cutting are not as strong as they might be if they were based on more complete evidence. In a measure, however, the same thing might be said of the arguments in favor of the maintenance of resale prices. The results of this attempt to digest the available evidence within our restricted field of identified articles for voluntary purchase made and sold under competitive conditions, is presented in a brief, the evidence accompanying which is in the form of separate exhibits.

A summary of the arguments in this brief is as follows:

The most troublesome point in the distributive system for identified goods is the contract between the retailer and the consumer. The large scale retailer at this point can offer to the consumer a visible advantage to trade with him when he sells him a guaranteed article at less than the known standard price. The consumer gets from the price cutting retailer an unmistakable price advantage in the form of a visible saving in price with the producer's guarantees still applied to the goods.

The central question in the whole discussion, then, may be summed up as follows:

Is this saving to the consumer secured at a sacrifice of other interests which outweigh it? In other words, is it to the best interests of the consumer to give up the amount of these visible savings to protect himself against incurring the less apparent losses which the price cutting practice involves?

As a guide to an answer to this question, suppose we bring together briefly, some of the main points in connection with the existing cut-price practice as compared with the main points made in connection with the maintained resale price system which is prohibited under the existing interpretation of law.

Under a Price Cutting System

1. Even when the producer's business is not destroyed outright, the property value of his good will is in a large measure impaired. In some cases the producer is entirely deprived of his business by the destruction of his own profits and the profits of his distribution organization. As a result, the inducement to producers as a class to devise new products is materially weakened.

2. The wholesaler under a price-cutting system (which involves quantity prices and direct sales) suffers in two ways. He loses a large volume of trade and the trade which is left to him yields less and less profit. The eventual result of this is the annihilation of any except large, efficient and favorably located wholesale concerns, if trade in identified merchandise continues to be an important part of the total volume.

3. The large retailer, who is the instigator of the entire "cut price" practice, does not claim to make a direct profit out of the cut prices at which he offers identified goods. He claims that the advantage of the cut price system to him lies in the advertising value of a low selling price for goods protected in quality by a producer's guarantee. This advertising value frequently arises from the false impression which it creates of low price standards in all lines in the cutting store. It also leads frequently to fraudulent substitution of inferior goods. Any loss, if he purchases on an equality with other dealers, is made up by extra profits on other lines of goods. The large scale retailer does not claim that the maintenance of resale prices would bring to him any direct loss. He merely contends that he would be deprived of the advertising value of these cut prices. By price-cutting he is able to take advantage of the producer's reputation and obligations and thus give to his customers an extra price inducement to trade with him rather than with his small competitors.

4. The small retailers under price-cutting lose trade. Eventually

they lose control of a substantial portion of their remaining business and the ultimate result of the price-cutting practice in certain trades is to force small retailers out of business as independent concerns.

5. Under price-cutting the consumer gains a saving in the price which he pays for certain identified goods. He loses eventually whatever advantage there is in independent as against monopolized retailing. He loses, also, as a result of the weakened inducement to produce new and improved products and he loses the advantage of identified merchandise purchases.

Under a Price Maintenance System

1. By a reasonable system of resale price maintenance within the field under discussion, the producer profits by the protection of his distribution and of his good will property rights.

2. The wholesaler, by the protection of fair profits guaranteed in return for a useful service rendered, is saved from monopolization or complete annihilation.

3. The large retailer loses the undeniably valuable privilege of advertising the willingness of his store to give low prices on commodities whose quality is guaranteed by their maker and namer.

4. The small retailer loses nothing and in many lines is preserved from annihilation of profits.

5. Those consumers who are not customers of a price-cutter lose nothing and are protected in their purchases of identified merchandise. Those who are customers of price-cutters lose the difference between standard and cut prices. Consumers, as a whole, have preserved for them the benefits of production initiative, they retain the advantages resulting from being able to buy identified, guaranteed merchandise, and they are protected against monopolistic retailing.

By court interpretation of existing laws the maintenance of resale prices by such methods as have been involved in decided cases is now forbidden. Unless a law be passed specifically restoring the right to maintain resale prices under proper conditions and under suitable regulations, price-cutting and the results of that method of trading promise to become the most conspicuous features of merchandise retailing. The business interests of the country, and consumers as well, cannot long fail to take a definite stand on one side of this question or the other. Seldom have they faced a more vital issue. They cannot settle it satisfactorily upon selfish grounds; they must view it in the light of its whole effect.

If a law were passed which would permit resale price maintenance under the conditions prescribed throughout this brief, it is clear that the two immediate losers would be: (1) The price-cutter who would lose a valuable advertising medium in the form of the cut-price which he now employs oftentimes at the direct expense of the producer of the goods. (2) The price-cutter's customers, who would suffer direct increase in the prices they pay for certain commodities.

The real question, then, is whether the compensating gains to society as a whole would overbalance these losses.

Conclusions and Resolutions

Your Committee, after considering all the evidence it could secure upon this subject, is of the opinion that this question is of grave importance and that steps leading to the wisest possible Federal legislation ought to be taken at once.

In a matter as serious and as complex as this, we feel that Federal legislation should be undertaken only when the condition to be remedied is serious and when the condition is of such a nature that it is not likely to correct itself without law. From our consideration of the evidence which we and others before us have collected, we are convinced that in this case the condition is serious and that instead of correcting itself without law it eventually must grow worse.

Federal legislation undertaken in a matter of this kind we believe should have as its main object the protection of the best interests of the whole people, and we believe also, that such legislation should aim to secure to the public at large all possible benefits from progress in production and in distribution methods.

From our investigation and from those which have preceded ours we believe that price maintenance, under proper restrictions would accomplish both of these ends.

We are informed that the Bureau of Corporations now has nearly completed an inquiry into this subject which is to be transferred to the Federal Trade Commission. We share in the public anxiety that this inquiry be pushed with all promptness compatible with thoroughness. We urgently recommend, therefore, that the Chamber of Commerce of the United States of America urge upon the Federal Trade Commission, when formed, the importance of completing this inquiry and presenting their findings to the President and Congress at the earliest feasible date.

Your committee is convinced that legislation permitting the maintenance of resale prices, under proper restrictions on identified merchandise, for voluntary purchase, made and sold under competitive conditions, would be to the best interest of the producer, the distributor and of the purchasing public, or consumer.

Upon the specific form of this legislation this committee is not prepared to report without further study. As soon as we can formulate the principles underlying such legislation we plan to submit a report covering these principles specifically and in detail to serve as the basis of a referendum. And we recommend that such a referendum be taken as promptly as possible after that report has been submitted.

THE COMMITTEE ON THE MAINTENANCE
OF RESALE PRICES,

PAUL T. CHERINGTON, Chairman.

Report of Committee on Statistics and Standards

Presented by A. W. Douglas, Chairman of the Committee

SINCE I had the pleasure of addressing you at the meeting here last February, the Committee on Statistics and Standards has issued the following reports:

THE PROBLEM OF THE FOOD SUPPLY, AS TO BREADSTUFFS AND KINDRED ARTICLES.

THE PROBLEM OF THE MEAT SUPPLY.

CONDITION OF WINTER WHEAT, AS OF APRIL 11, 1914.

CONDITION OF FRUIT, AS OF MAY 2, 1914.

CROPS AND GENERAL CONDITIONS, AS OF JULY 3, 1914.

THE CORN CROP, AS OF AUGUST 12, 1914.

THE STORY OF COTTON—ITS HISTORY AND NATIONAL AND INTERNATIONAL IMPORTANCE.

CROP AND GENERAL CONDITIONS, AS OF DECEMBER 12, 1914.

The basis of the story of Crop and General Conditions was mainly the reports of a large corps of traveling salesmen, who cover the entire country. Over a quarter of a century of experience has shown these men to be most reliable and impartial observers in this particular field. The facts related by these invaluable aids have been supplemented by personal travel and observation in every section of the Union, and by the use of statistics where necessary to the story. Mere statistics are not only of small account but absolutely misleading if an interpretation of them be not based upon a personal knowledge of the fundamental facts involved.

In all these reports the Committee have related the facts as they came to them, but at the same time are prepared cheerfully to make amends to local susceptibility for any error of which they may unconsciously and unknowingly be guilty. The Committee gladly invite criticism and suggestions of any of the reports, and their only kick is that they do not get enough of either, both being welcome, since brickbats are often more illuminating than bouquets.

Constructive Work

The Committee especially have endeavored to do constructive work by chronicling the progress and influence of new pursuits and new industries, and especially have they endeavored to set forth the overwhelming importance, not only to the Business World, but to the entire country of the ancient and honorable Business of Agriculture, by far the most vital and most fundamental of all pursuits. They have further sought to show that this great business is yet in the infancy of its possibilities but that by the help of Providence the Federal Department of Agriculture, and the State Agricultural Colleges it bids fair in time to come into its own, and to do more than any other pursuit successfully to solve some of the untoward and forbidding problems that perplex our civilization.

The Committee have endeavored to demonstrate that the outlook in this direction is one of cheer and optimism and that many of the fancied evils that obscure our vision are merely the results of superficiality and ignorance, much of it due to the mistaken use of partial statistics. This is especially noted in the wide spread delusion that population is increasing faster than the means of subsistence.

It is obvious enough that these reports are of service only to those who read them, and the Committee ask of every member this especial boon, that he read the reports, and if he does not get due information from them nor find them to his liking that he write the Committee and voice his difference of opinion; and if he does like them or gather something of avail from them that he drop them a kindly word. The communications in either event will receive exactly the same careful consideration. For another year the Committee hope not only to continue along the same lines but to add some new ventures, concerning which, however, it would be previous to say anything very definite at present.

Cooperation With Government Departments

Bearing in mind that one of the chief aims of the Chamber is to serve as a connecting link between the Federal Government and the commercial world, the Committee on Statistics has made it its object to study carefully the commercial statistics published by the various Federal Departments, with a view to their greater utilization by the business world on the one hand and to making such suggestions, as may be found necessary, to the government departments for the improvement of the statistics in a manner to make them more serviceable for practical purposes.

In the first subject taken up was the statistics of our foreign commerce. The committee ascertained that this important body of statistics which serves as a basis for the estimate of our national balance of trade and is considered as a business barometer in the commercial and banking worlds, is very far from being accurate. With a view to bringing about a reform in the method of collection and presentation of these statistics and to facilitate such reforms in the statistical service of the Treasury and Commerce Departments as might be thought necessary in order to insure accurate returns, the Committee on Statistics appointed a sub-committee for the purpose of presenting these matters to the officials of the Departments concerned and cooperating with them as far as it lay in our power. Personal

conferences were held with various officials of the Departments of Commerce and the Treasury in New York and Washington, and the committee is glad to report that work is now under way in the Departments mentioned, which has for its purpose the realization of the desired reforms.

Census of Manufactures

Another subject taken up was that of the Census statistics in connection with the Census of Manufactures now being taken throughout the country. About a year ago the new Director of the Census requested the Chamber of Commerce of the United States, as well as practically every other commercial and industrial organization, to cooperate with the Census by making suggestions for the improvement of the schedules of the forthcoming Census of Manufactures. The request was referred to the Committee on Statistics for making a careful study of the subject. It was ascertained that the work could not be done in committee, but would require continuous study on the part of an expert, in order to formulate specific recommendations for the improvement of the schedules. With a view to that, one of our members was retained by the Chamber to give the necessary time to that task.

The work consisted in going over 57 special schedules, each relating to a different industry, and a general schedule applying to all industries. A study was made of each schedule and a letter of inquiry was formulated and sent out to leading manufacturing concerns in each industry, with a view to eliciting their opinions as to the practicability of the schedule and calling for suggestions that would make them of greater practical value to our industries. In this way the Chamber was able to perform one of its most important functions in serving as a link between the government and business organizations and in bringing the best thought of each to the assistance of the other.

The letters sent out met with gratifying response, and specific recommendations with reference to each schedule were drawn up, based upon the advice of leading manufacturers, technical experts, and the scientific study of the member of our committee in charge of this work. About nine-tenths of all the specific recommendations made were adopted by the Census Office. The only important recommendations made by our committee which were not adopted by the Census Office were those relating to the General Schedule.

Manufacturing Schedule Not Clear

This is the most important schedule in connection with our industrial statistics. It has met with criticism from manufacturers, as well as from statistical experts. Your committee, while presenting its suggestions for the improvement of this schedule with all the force of argument which each specific recommendation called for, did not press its views beyond this point.

The committee feel that our Census of Manufactures is in need of radical reform. There are two conflicting views as to the proper functions of the Census of Manufactures. Some people believe that the data gathered by it ought to be in sufficient detail to furnish a basis for an accurate study of the cost of production in different industries. Others maintain, on the contrary, that cost of production studies do not properly belong to the functions of the Census Office which is not equipped for the purposes of intensive cost studies. Leading manufacturers will be found on both sides of this question.

Whichever of the two views presented as to the proper functions of the Census may be the correct one, it is clear that either one or the other should prevail in the formulation of the Census schedules. The general manufacturing schedule, having undergone several partial changes from time to time, in response to conflicting views on the subject, lacks consistency and clearness. The matter is of grave importance, for several attempts have been made at recurring periods of tariff revision to utilize Census figures for the purpose of getting at the approximate cost of production in different industries, as a basis of tariff-making, and, as a rule, protests were raised by the industries concerned against the accuracy of Census data for such purposes. The committee feel that this is one of the most important subjects to which the Chamber of Commerce may lend its attention and influence.

Subject Being Considered

At the last meeting of the American Economic Association and the American Statistical Association the matter was likewise considered and committees appointed for the purpose of studying the question of our government statistics in general and the Census statistics in particular.

The overhauling of our statistics will be a work of years and your committee feel that the Chamber of Commerce can render no greater service to the country than by lending its hearty cooperation to the two associations mentioned and to such other public-spirited bodies as may take an active interest in the subject, with a view to placing our government statistics on the highest plane of efficiency, accuracy, and practical utility.

Respectfully submitted,
COMMITTEE ON STATISTICS AND STANDARDS,
By A. W. DOUGLAS,
Chairman.

Our Policy in Foreign Investments

(Continued from page 27)

was without obligation. But the treaty with Honduras that assumed real obligations failed of ratification.

We will eventually win to a dependable foreign policy, but not until the general public comes to recognize that foreign trade is an inseparable part of domestic trade; that it is not a gamble for the few, but the business of the nation; that its benefits do not stop with the banker and foreign trader, but extend to every form of labor and agriculture; that it is worth the expenditure for maintaining an army and navy, and, if necessary, the expenditure of human life, to protect it; that foreign affairs and responsibility abroad are inevitable to any people who have done their duty at home.

Education Necessary

The campaign of education undertaken by the Chamber of Commerce of the United States, the National Foreign Trade Council, and other public bodies who are trying to get the real facts regarding foreign commerce before the people, should be supplemented by those directly engaged in foreign business, by seeing to it that the whole movement is kept in harmony with the spirit of the people. The business should be kept democratic. The least tendency to monopolize or take selfish advantage of instrumentalities or conditions created for the general good should be promptly checked. Leadership will of course be required, but if it is necessary to employ a wedge in entering a new or difficult field, the wedge should be wide open behind, so that any who wish may follow. In this connection it is exceedingly encouraging to note that the very people who are giving the most of their time for public discussion of these questions and for organizing the movement are those who are already successfully engaged in the export or import business. Instead of taking the selfish position that, having undertaken the work when nobody knew or cared anything about it, and having succeeded in spite of the difficulties, they had acquired prior rights, they are freely giving their hard-won experience and their useful efforts that others may occupy the field with them.

Necessity for Publicity

The fullest possible publicity should be given to any new foreign enterprise, so that its character can be recognized and the reasons justifying it understood. The nationality of its ownership should be clearly identified and a complete record of the essential facts concerning it filed with the State Department. If it is based upon contracts or government concessions, the State Department should be aware of their character and in a position to determine whether or not they are in conflict with any policy of our own government before they are accepted. Any institution established abroad should be manned by citizens of the United States. This will prove the slower process, and in the beginning some mistakes will be made, but in the end it will produce an institution with a North American character, soundly grafted upon our own country, which will command more respect both at home and abroad, and be capable of a more successful growth than would be possible to a mongrel institution.

The North American standards of business morals should be rigidly adhered to, regardless of the customs or business ethics of the people where the enterprise may be located. Character is essential to business wherever conducted, and if anybody has lost confidence in the moral character of business in this country, the best cure for his state of mind is a short course in trying to conduct business somewhere else on the face of the globe. Some places will restore his normal state of mind much more quickly than others, but any place will do.

For the purposes of foreign trade we will require some Government cooperation and some education of the public regarding conditions at home as well as abroad. We have adopted the principle of the widest possible competition for our domestic commerce, and the Sherman Anti-Trust Law has been construed so as to extend this principle to foreign commerce also. At home this rule puts no particular hardship upon the seller, because the same rule applies to his customers, but abroad he meets a different condition. There is no Sherman Anti-Trust Law anywhere else on earth, or anything resembling it. His foreign customers are free to combine for the purpose of controlling the price in favor of the buyer. This condition will work too great a hardship and will necessarily have to be adjusted so that the principle will be preserved as to our domestic commerce, and our export trade put upon an equal footing with the rest of the world. This same question of the Anti-Trust Laws has another very important bearing. We are all agreed that if the nation is to be solidly enlisted in this enterprise of foreign trade, and government cooperation and government protection freely given, it must be given equally for all. The opportunities must be free to everyone, and the more democratic the resultant enterprises are, the better for foreign trade and the domestic trade at home. If the Anti-Trust Laws are applied to our merchants and manufacturers in respect to their trading beyond United States territory, the business is immediately confined to the largest exporters only. They only will have the financial strength and volume of business necessary to engage single-handed in the trade of other countries. The little fellows will all have to stay at home, and we will have defeated the effort to build up foreign trade because we will have destroyed its national character. No hardship would be put upon the people, great economies would result and the opportunities would be extended to a vastly greater number if the small manufacturers and merchants could be permitted to combine by means of joint selling agencies, joint foreign branches, or joint ownership of trading institutions established abroad. If it meets a practical need, the smaller national banks should be permitted to maintain joint foreign branches, and to the same end own stock in strictly foreign financial institutions.

For a score of years, in respect to business, this country has stood as a house divided against itself. Conflicting opinions have persevered until we have become involved in a tangled web of theory and fallacy. We have sought to enforce economic theories by criminal statutes. The politician has branded the business man as a malefactor; the business man has called the politician a demagogue. Sometimes they were both right, but almost always both wrong. We stand like the hypochondriac, brooding over internal disorders that baffle description or diagnosis. The nation is suffering from too much introspection. It needs to have its attention diverted from itself and its old-time spirit of enterprise aroused by an idea that we can all agree upon and a purpose we can all get behind. War would do it, but we do not want war. What would be more timely and effective than commercial conquest, conducted in accordance with the principles of peace?

The Federal Trade Commission

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by law. Any party required to cease from using such method of competition or from violating the aforesaid provisions of the Clayton act, may obtain a court review in a similar manner.

The judicial review of the orders of the Commission thus provided for is what is sometimes termed a "narrow" review. That is to say, the Commission conclusions of fact are conclusive, if supported by evidence, but the court may modify or reverse the order on the basis of violation of constitutional provisions, absence of jurisdiction, or violation of the rules of procedure provided in the act.

The Open Road and Democracy

Such, in a general way, is the statement of the purposes, the functions and the possibilities of the Federal Trade Commission. Its present enactment into law is due, more than to any other single cause to the sympathetic understanding, the genius for constructive statesmanship, and the vision of the President of the United States.

It holds promise of great aid to American business and of greater security for the liberties of our people. It is an attempt in an industrial era of great complication to translate the spirit of Faneuil Hall into terms of present day freedom. Conditions of the present, and as well the freedom of opportunities in the long future for our children and their children, demand that the highways of trade shall be kept open and fair; that the "rules of the road" shall be preserved and enforced with reason and temperance, and with firmness and exact justice. It has been said that there are but three generations between shirt sleeves and shirt sleeves. Regardless of the magnitude of personal achievement, there can not be found a man in this country, in my belief, who does not desire that conditions shall exist and shall continue to exist in this country such as will enable his children and his grandchildren, if reduced in means, to have an opportunity with a clear road and no favor, to achieve and build their fortunes and their character to the same degree and in the same manner as opportunities were afforded which made their forebears strong, powerful and big.

But the great and momentous task which confronts the people of this country and the business men of this country in connection with this problem is bigger than such considerations. The problem reaches down to the fundamental question of the kind and character of the government we shall evolve in this great experiment of government, which challenges, indeed, the existence of democracy itself. No republic ever has, or ever will, live except as it solves correctly its relation and the relation of all of its people to the production of wealth. Here lies a challenge to the big-mindedness of the captain of industry, to the philosophy of our economists, to the thought of our scholars, and to the patriotism of our citizenship.

Individual Enterprise Without Unlicensed Competition

The purpose and object of this legislation has been and is to convert the anarchy of unlicensed competition into a condition under law of competitive liberty, which will preserve those seeds of individual initiative and enterprise which have contributed to the art, to the science, to the literature, and to the welfare of our civilization, so that the seeds may germinate and flower into still greater blessings for mankind.

The Federal Trade Commission is a part of this legislation and is one of the agencies designed by a republic to aid in the solution of this problem that the industrial liberties and opportunities of the people may be preserved under a republican form of government. In the task which confronts it there can be no doubt but that the Federal Trade Commission will receive the effective, honest and able cooperation of the business men of the United States, even as it received the sustenance and endorsement of this great body of the Chamber of Commerce of the United States in the period of its conception, and during the period in which it was enacted into law.

The intelligence and patriotism which exists in business as in other fields of American activity will not permit that its functions should be interpreted into terms of menace, but will recognize that its functions are designed for and aimed at helpfulness, service, and greater security for the rights of men.

In the law of its creation there will doubtless be found imperfections; it would not be a human institution otherwise, but the Federal Trade Commission will grow and develop consonant with the service which it performs and commensurate with the usefulness with which it justifies its existence.

Report on Uniform Food and Drug Regulation

Presented by W. M. McCormick, Chairman of the Committee

THE SPECIAL COMMITTEE ON UNIFORM FOOD AND DRUG REGULATION OF THE CHAMBER OF COMMERCE OF THE UNITED STATES is privileged in presenting its first regular report at this time.

It is fitting that the Committee record in this initial report the history of its appointment, organization and purpose, all of which may be stated in a few words.

On October 8, 1914, Mr. Willoughby M. McCormick, as a member of the Board of Directors of the American Specialty Manufacturers' Association, presented to the Board of Directors of the Chamber of Commerce of the United States a resolution authorizing the appointment of a Special Committee of the Chamber directed to give careful consideration to the promotion of the greater uniformity, meaning the greater efficiency, of food and drug regulation in the United States in order that the American people may receive, generally and equally, the most effective protection in the foods and drugs consumed.

Upon the adoption of the aforesaid resolution the following Committee on Uniform Food and Drug Regulation was appointed:

MR. WILLOUGHBY M. MCCORMICK, Chairman; McCormick & Company, Baltimore, Maryland.

MR. A. J. PORTER, Shredded Wheat Company, Niagara Falls, New York.

MR. B. L. MURRAY, Merck & Company, New York City, New York.

MR. THEODORE F. WHITMARSH, Francis H. Leggett & Company, New York City, New York.

MR. JOHN A. GREEN, National Ass'n of Retail Grocers, Cleveland, Ohio.

The first meeting of the Committee was held at the general offices of the Chamber of Commerce of the United States in Washington, on Thursday, October 8th, 1914. The minutes of this meeting are appended to and make a part of this report.

In order to facilitate and specialize the work of the Committee a resolution was duly adopted authorizing the Chairman to appoint two sub-committees to consider, respectively, the problems relating more particularly to food control and the problems relating more particularly to drug control, any findings to be reported to the General Committee for final consideration and action. Thereupon the Chairman appointed Mr. A. J. Porter, as Chairman of the Sub-Committee on Food Control, and Mr. B. L. Murray, as Chairman of the Sub-Committee on Drug Control.

In order to establish definitely the purpose of this Committee and to indicate the field in which the Committee proposes to work it was first necessary to define the meaning of the term "UNIFORMITY" as the Committee understands it. After careful consideration the following definition of "UNIFORMITY" was unanimously adopted:

"Uniformity as the committee would define it involves the highest degree of efficiency in food and drug control which it is possible to have prevail universally and equally in every part of the nation. The Federal, State and municipal laws and their regulations would, if perfect uniformity were attainable, reach the level of full and complete efficiency and thereby afford equal protection and a uniform standard of living for all the people. Uniformity accomplished places merit and the general public interest over local political or geographical divisions. This committee will, therefore, direct its efforts and consideration toward the accomplishment of uniformity. The committee cannot but feel impressed with the magnitude, the importance, and the seriousness of its work. It cannot but feel the need for the closest study of the subject. And again the committee cannot but feel the necessity for the fullest and most cordial cooperation between itself and the officials and all others concerned. The committee will, of necessity, act deliberately and slowly, making certain of each step, considering only the important problems of national character."

It will be noted, therefore, that the field in which the Committee may work embraces the entire field of food and drug regulation, the ultimate purpose ever being to promote greater efficiency in the food and drug regulation, Federal and State. The Committee believes—

1. That effective and just food and drug legislation is most beneficent legislation, a first thought of every enlightened government.
2. That a distinct obligation rests upon the great commercial interests of this Nation engaged in manufacturing and distributing our food and drug supplies to promote, and to cooperate cordially and completely in, the perfection of proper food and drug regulation.
3. That no distinction should be drawn in the general enjoyment by the people of these United States of effective food and drug protection by reason of geographical location or political division.
4. That general efficiency should be the Uniformity and the Standard in food and drug legislation to be sought after.

The Committee offers its cooperation for the realization of the

purpose for which it was appointed, and earnestly requests, also, that the several food and drug, civic and trade organizations, the members of this Chamber and others interested will offer any suggestions for advancing the work in which it is engaged, all of which suggestions will receive careful consideration.

As the Committee has been in existence but a little over four months the subjects considered have been, necessarily, for the most part, of a more general nature.

After due deliberation, and acting upon the recommendations of the Sub-Committees on Food and Drug Control, respectively, the Committee herewith presents certain definite recommendations:

THE COMMITTEE RECOMMENDS:

RELATING TO DRUG CONTROL

1. The enactment of a FEDERAL POISON LAW, thereby to promote the efficient standardization of the law, Federal and State, regulating the commerce in and handling of poisonous articles. It is anticipated that the Committee will be enabled, in the near future, definitely to suggest such a law.

2. The enactment of a UNIFORM STATE NARCOTIC LAW, modeled after and supplementing, to the necessary degree, the recently enacted Federal Narcotic Law, thereby to promote the effective, cooperative and harmonious regulation of the commerce in and handling of narcotic drugs throughout the United States. Such a suggested Uniform State Narcotic Law is appended to this report, with due appreciation of the fact that modifications will probably be necessary to meet local and other conditions.

3. The enactment of an efficient UNIFORM STATE DRUG SANITATION LAW. It is anticipated that the Committee will be enabled, in the near future, to definitely suggest such a law.

4. The amendment of the STATE PURE DRUG LAWS, providing against the use of false and fraudulent statements, designs or devices upon the package or label regarding the curative or therapeutic effect of a drug or any of the ingredients or substances contained in such drug, similar to the "Sherley Amendment" of The Federal Food and Drugs Act.

RELATING TO FOOD CONTROL

1. The enactment of a FEDERAL COLD STORAGE LAW, thereby to promote the effective standardization of cold storage regulation, Federal and State.

2. The amendment of the STATE PURE FOOD LAWS, providing for the compulsory declaration of the quantity of the contents of packaged food products upon the container, similar to the "Gould Amendment" of The Federal Food and Drugs Act.

3. The enactment of an efficient UNIFORM STATE FOOD SANITATION LAW.

RELATING TO FOOD AND DRUG CONTROL

1. The amendment of THE FEDERAL FOOD AND DRUGS ACT, to expressly provide for an appeal to the courts from administrative decisions made under this Act relating to the importation of foods and drugs.

2. The enactment of an effective UNIFORM ADVERTISING LAW, prohibiting the false and fraudulent advertising of foods and drugs.

RESPECTFULLY SUBMITTED,

Dated, February 3rd, 1915.

W. M. MCCORMICK,
Chairman.

President Wilson's Business Message

(Continued from page 5)

think about the whole thing and picture the purposes, the infinitely difficult and complex purposes which we must conceive and carry out, not only does it minister to my own modesty, I hope, of opinion, but it also fills me with a very great enthusiasm. It is a splendid thing to be part of a great wide-awake Nation. It is a splendid thing to know that your own strength is infinitely multiplied by the strength of other men who love the country as you do. It is a splendid thing to feel that the wholesome blood of a great country can be united in common purposes, and that by frankly looking one another in the face and taking counsel with one another, prejudices will drop away, handsome understandings will arise, a universal spirit of service will be engendered, and that with this increased sense of community of purpose will come a vastly enhanced individual power of achievement; for we will be lifted by the whole mass of which we constitute a part.

Have you never heard a great chorus of trained voices lift the voice of the prima donna as if it soared with easy grace above the whole melodious sound? It does not seem to come from the single throat that produces it. It seems as if it were the perfect accent and crown of the great chorus. So it ought to be with the statesman. So it ought to be with every man who tries to guide the counsels of a great nation. He should feel that his voice is lifted upon the chorus and that it is only the crown of the common theme.

The Administration and the Shipping Bill

(Continued from page 17)

Government and to lend it to farmers upon their cotton. I had to stand against it, although I am from the South, and I hated to do it, gentlemen, so far as the effect was concerned; but I could not, as the representative of this Government, standing on guard at the doors of the Treasury of the United States, advocate any such action. Once you adopt this plan and put the seal and the sanction of the sound business men of America, you sound business men who represent every section of this country, upon a proposition to lend Government money direct to any corporation or any individual, you might as well take the doors down from the National Treasury and involve the entire credit of this Government, because I tell you it will be extended everywhere.

QUESTION OF EXTENDING CREDIT

Let me give you an instance of what has happened. In 1837 we had thirty-eight millions of dollars of surplus in the Federal Treasury. It was during Mr. Van Buren's administration. We were so concerned about that surplus, it was so much money, that there was a great "row" in Congress to know what to do with it. They did not know what to do with so much money. It became a political question. They finally voted to lend it to the States. You would think that the credit of the States and their obligations to pay were the most reliable assets you could possibly have. I mean, you would think that such obligations were the safest investments you could possibly have. Congress passed a resolution to distribute that money among the States and take back their demand obligations. Today the Treasury of the United States holds twenty-eight million dollars of the demand obligations of the richest States in this union—New York, Ohio, Pennsylvania, Massachusetts, Georgia, Alabama, Tennessee—every State that was in the Union at that time. We have those demand obligations in the Treasury of the United States today, money loaned by this Government of these States. What happened? After we had given them \$28,000,000 a panic struck the land. The act directed that the money be distributed to them in four installments. After the first three had been paid a panic swept the land and the Secretary of the Treasury, the National Treasury being in need of these funds, called upon the different States to pay back, and the representatives of all of these States in Congress passed a resolution, which is on the statute books today, preventing the Secretary of the Treasury from collecting these debts until further directed by Congress. The Secretary cannot move a peg to collect that money, because they put this inhibition upon the statute books:

"Until further directed by the Congress, the Secretary of the Treasury shall not call these loans."

Yet, gentlemen, when we cannot get a State of the American Union to pay its just debts to the Government for money loaned to it, you ask us to stand for a proposition to lend money to private corporations or individuals upon the security of mortgages.

Never on the face of the earth, and I tell you, gentlemen, if you ever enter upon it, you will have to lend it upon railroads and every other enterprise. Bills are referred to me asking that every conceivable sort of scheme be approved, submitting them for the judgment of the Department, for raids upon the United States Treasury in the form of actual loans to be made by the Treasury of the United States on this thing and that thing—farm loans, loans upon houses built by workingmen, and so on. They are all entitled to consideration if we are going into the money lending business. We will have to lend it to everybody. You cannot discriminate under our system of government. Everybody must tap the Treasury till if you adopt any such resolution as this.

There are many things that I wish I could say to you, but I am trenching upon the time of the distinguished Senator from Ohio. I want to thank you heartily for the courtesy you have extended to me, and to thank you all for the opportunity you have given me to speak to you, and for the very patient hearing you have accorded me.

The Opposition and the Shipping Bill

(Continued from page 19)

000 bales in a month. Let us look at the recent shipments of cotton. I say this to hold out a word of hope to those who are interested in that line of production. Since January 2nd there has not been a single week when the average export has not been above 200,000 bales. It is true that there would naturally be large shipments at this season of the year, but when you take into account the war, we are doing well, and conditions approximate the normal when you send an average of 200,000 bales per week. For the week ending January 2nd, there was sent abroad 191,000 bales; January 9, 315,000 bales; January 16, 218,000 bales; January 23, 255,000 bales, and January 30, 398,166 bales. Keep up that rate for 26 weeks of the year and the whole we have for export will be carried abroad, to a variety of ports.

There is another thing that some of you may have noticed in a newspaper paragraph this morning, which is exceedingly significant. In the port of Galveston the quoted rate on cotton has fallen from \$3.50 per hundred to \$2.50 to Bremen, to Rotterdam from \$2.50 to \$2 and \$2.10; to Barcelona from \$1.35 to 85 cents. It would seem from this that while we have been talking on the shipping bill prices have been going down, and that raises the very important question as to whether it is not best to deliberate and to talk once in a while.

DANGEROUS POSSIBILITIES

I have been interested in many measures in the Senate and House of Representatives, but, my fellow citizens, I know of none that seems

to me is fraught with more dangerous possibilities. You must always take into account in every piece of legislation not only what it is in itself but the precedent that it establishes. What will be done next? Why, it seems to me that in every word that Secretary McAdoo uttered against the lending of \$250,000,000 to the cotton growers he was condemning the spending of money out of the Treasury which would inure to the benefit of some particular locality in this country. He referred to \$28,000,000 loaned to the States. Does anybody deny that that is a fair debt. But the Treasurer of the United States was directed by Congress never to collect a nickle of it until further ordered, and you and I will have passed into another sphere before that further order is issued. So it is in regard to this shipping bill. If the shipping corporation is once organized and someone can get lower rates than the normal, can get advantages over his competitor, the agitation to continue it will remain long after its usefulness has been disproved and the boats ought to be sold.

There are some things that it does not do to trifle with, my friends. If in anything in my life I have wanted to take a stand it is for the people and all the people of the United States against any section and any party. I deplore the fact that an organized minority or interest, small in number, is often more influential here at Washington than the great body of the people who, hampered by inertia and lack of interest, do not give sufficient attention to the general good. A public man oftentimes promotes his political chances more by a single bill that helps a single person than by any statute for the general good that he may be instrumental in enacting.

I repeat—while we have been deliberating the reason for this bill has gone by or is going by. The arguments on behalf of it made at the beginning were abandoned. Now that relations with South America do not require increased shipping, some other plan is proposed.

OPPOSITION TO SHIP SUBSIDY

I have always opposed ship subsidy. I have stood with the minority of my party against this measure for these many years. I do not believe you will succeed in building up a merchant marine in that way. The more subsidy you pay the more you will be asked. There is a misapprehension about it. It is said that Germany and England have subsidized their ships. It is true that they do subsidize the naval auxiliaries and boats like those belonging to the Cunard line, but the tramp boat which does most of the freight business takes its chances on the waters of the sea. What is the reason our merchant marine has been decadent? It is closely associated with conditions which explain the marvelous progress of the American people.

SHIPPING TRADE PROFIT

There is no trade which involves so little profit and so much hardship as the shipping trade. In Great Britain boats are built and then bonds to 65 per cent of their value at 4 per cent can be issued on them. They are built much more cheaply because they build many of the same type. Then when boats are sent out to sea our spirit of humanity toward the seaman is stronger than in Europe. We give him better food; we give him better wages, and we give him less hours. After all, you come up against this great proposition that in this land of ours there is a panoply of opportunities for investment on the land. We have here a great continent only partially developed, in some portions only scratched, and the genius of our people, their desire for investment, runs in that direction.

Then, over on the other side they have a class of sailors who, for generation after generation, father, son, grandson and on down indefinitely, follow the sea, while in our country, when a man gets to be a mate, he sends his son to the high school, he gets an education there and in the abundant growth of American life that young fellow becomes a lawyer or a doctor and he forsakes his father's calling.

THE PANAMA CANAL

Something has been said about the Panama Canal. The Government of the United States bought the rights of the new Panama Canal Company and in buying them they got the railroad and the ships and had them on their hands. In the building of that canal, that colossal enterprise, it was necessary to ship a great quantity of freight, such as cement, machinery and supplies, and incidentally in that way it transacted a certain amount of general freight business. It is not in any way analogous to the present proposal.

With reference to the currency bill, I want to say here that I was one of the men who had to do with the framing of the Aldrich-Vreeland Bill, in the face of stubborn opposition from the other side, but the time came when the stone that the builders rejected became the head of the corner.

Now, with regard to the Federal Reserve Act. I did not vote in favor of it, but I did say, however, it would better the conditions as they previously existed. There was a commission which worked on that, of which commission I had the honor to be a member for something like four years, and the accusation of plagiarism can be made with absolute certainty against the framers of recent Act when they look to that report, because its essential ideas were all embodied and it furnished the basis for the measure. I do not myself believe in this idea of the Government owning notes—I do not know that I would express myself so strongly as Senator Root whom the Secretary has quoted and I do not believe that the experiment of issuing or guaranteeing currency which has been abandoned by every government in the world, after it was tried by them and they burned their fingers, should, even in this indirect way, be tried by our government. Let the banks that issue this currency and get the benefit of it take care of the gold redemption and not call on Uncle Sam to help them out if they get into trouble. It may be a good thing, but I do not believe in the principle of it.